

# SHIGA BANK

ANNUAL REPORT 2009



Yoshio Daido,  
*President*

Koichi Takata,  
*Chairman*

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## To Our Shareholders

As a result of the unprecedented financial crisis that has unfolded since the autumn of 2008, the real economy has deteriorated sharply on a global scale. Despite following sound management practice, for fiscal 2008 Shiga Bank regrettably posted its first-ever red-ink figures. All members of the Shiga Bank Group are working together to realize an improvement in our business performance as soon as possible, and we are determined to do everything we can to regain the trust of our stakeholders.

In April 2007 the Bank launched its 3rd Medium-Term Business Plan for the 21st Century, a three-year plan whose principal theme was to enhance enterprise value through more sophisticated risk management. As the current term (ending March 2010) is the final year under this plan, we intend to put the finishing touches to the “responsible management” system that we have worked to create over the past few years.

Specifically, we aim to build on our two main strengths of providing expertise and care, and being strong in Asia. In March 2007 the Bank was approved to implement the Foundation Internal Ratings Based (FIRB) approach to risk management stipulated in the new capital adequacy standards under Basel II. This new approach enables more accurate assessment of borrower creditworthiness, and we utilize this system to inform borrowers of the internal ratings they have been assigned. This allows them to obtain a more objective picture of their creditworthiness, and paves the way for the Bank and its borrowers to work together toward the goal of mutual prosperity.

Contributing to environmental preservation is a major issue today. In particular, we view the fight against global warming as a particularly urgent issue. At Shiga Bank we believe that there is still time to do something about this problem, and we are determined to leverage people’s healthy awareness of the critical situation faced by the human race by directing funds into protecting the global natural environment. For this reason, we are directing CSR activities at the Bank with a prime focus on the environment. Our environment-focused loan products are expected to be very effective, and we are concentrating efforts on combining measures to protect the environment, notably in the case of Lake Biwa, with measures to reenergize the local economy.

I look forward to receiving the continued support and encouragement of all our stakeholders.

August 2009



Koichi Takata, *Chairman*



Yoshio Daido, *President*

# Profile

## Profile (as of March 31, 2009)

Corporate Name: The Shiga Bank, Ltd.

Head Office: 1-38, Hamamachi, Otsu, Shiga 520-8686, Japan

Established: October 1, 1933

Total Assets: ¥4,107.7 billion

Deposits (including negotiable certificates of deposits):

¥3,771.0 billion

Loans: ¥2,718.3 billion

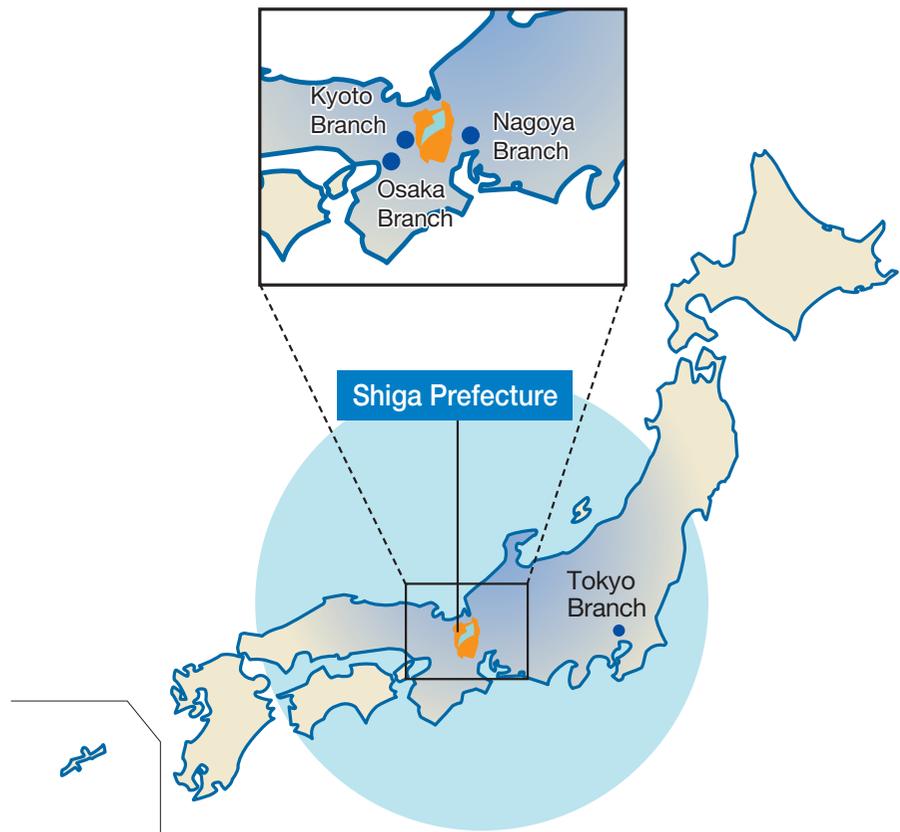
Common Stock: ¥33.0 billion

Employees: 2,289

Offices and Branches: 135 (including 8 agents)

Rating: JCR A+

R&I A+



### Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to The Shiga Bank, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Shiga Bank. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and therefore readers should not place undue reliance on them. Shiga Bank cautions readers that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

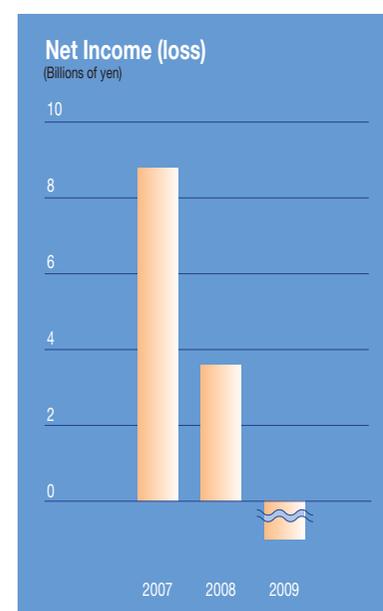
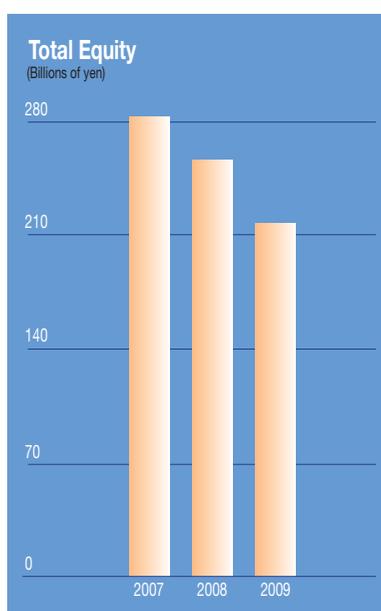
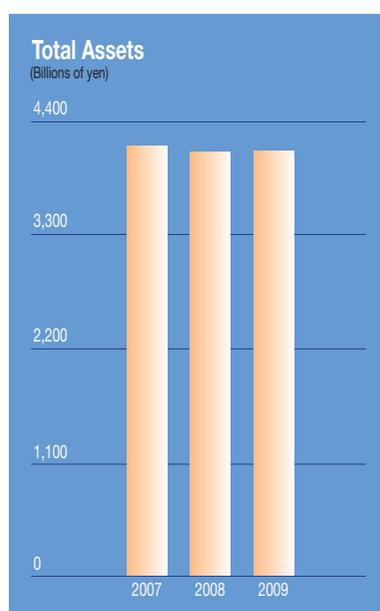
# Consolidated Financial Highlights

March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
<b>As of March 31</b>				
Total assets	<b>¥4,123,026</b>	¥4,115,109	¥4,179,335	<b>\$41,973,187</b>
Investment securities	<b>1,113,812</b>	1,225,131	1,355,021	<b>11,338,818</b>
Loans and bills discounted	<b>2,710,948</b>	2,551,368	2,473,464	<b>27,597,971</b>
Deposits	<b>3,654,781</b>	3,595,050	3,705,751	<b>37,206,363</b>
Total equity	<b>218,948</b>	256,868	283,997	<b>2,228,941</b>
<b>Years ended March 31</b>				
Total income	<b>96,103</b>	116,258	99,356	<b>978,349</b>
Total expenses	<b>113,592</b>	106,138	83,956	<b>1,156,388</b>
Net income (loss) before income taxes and minority interests	<b>(17,488)</b>	10,120	15,399	<b>(178,038)</b>
Net income (loss)	<b>(16,218)</b>	3,597	8,839	<b>(165,108)</b>
<b>Per share data (in yen, dollar)</b>				
Cash dividends	<b>¥ 6.00</b>	¥ 6.00	¥ 6.00	<b>\$ 0.061</b>
Net income (loss)	<b>(61.40)</b>	13.60	33.41	<b>(0.625)</b>
Total equity	<b>743.58</b>	887.14	987.98	<b>7.569</b>
<b>Ratio</b>				
Capital ratio	<b>10.34%</b>	11.16%	12.20%	
ROE	<b>(7.53%)</b>	1.45%	3.47%	

Notes: 1. Japanese yen figures below one million are omitted.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.23 to US\$1.00 on March 31, 2009, the final business day of the term.



# 3rd Medium-Term Business Plan for the 21st Century

**Our Vision:**  
Becoming a partner in prosperity for our community

**Main Theme**  
Enhancing enterprise value through more  
Period of the plan: April 2007-

## Basic Strategy

Focus on the 3 Cs (**Consolidation**, **Credit risk** and **Cost control**), commit to  
**Consolidation:** Upgrade products and services, and take a realistic yet bold approach to risk;  
**Cost control:** Greater efficiency; **CSR:** Step up environmental protection and community

## Marketing Strategy

### Focus on Asset Quality, and Develop the Three Brand-Building

Providing expertise and care

Being strong in Asia

#### Nature of businesses

Business fields in which we will strengthen relations with customers so as to respond more accurately to their needs

Business fields in which we will broaden our scope of operations so as to enhance customer convenience

#### Marketing activities

Provide solutions

Provide greater convenience in transactions

#### Policies

##### Create a solutions business

(Corporate customers)  
Support new business setups (*Nonohana* program)  
Strengthen support for corporate rehabilitations  
Get involved in investment banking  
Asia business support  
Strengthen measures for setting loan interest rates at the right levels

(Individual customers)  
Strengthen our private-banking activities  
Promote our assets-under-custody business

##### Consolidate customer base with better products and systems

(Corporate customers)  
More effective measures for small account-holders

(Individual customers)  
Efficiently promote mortgage loans and strengthen credit management  
Strengthen marketing of unsecured loans  
Strengthen our card strategies  
Upgrade settlement functions for small account-holders

#### Systems

##### “Hard” measures: Build a more effective and efficient network of marketing channels

Strategic entry into growth markets  
Establishment of specialized branches  
Revamp branches to match them better with particular regional needs  
Expand direct marketing channels

##### “Soft” measures: Create a marketing system that addresses specific customer segments in line with market trends

Expand our area marketing structure  
Efficient promotion of loans to individuals  
Strengthen over-the-counter marketing

#### Personnel needed

Build up staff teams capable of marketing solutions

Shift focus to human resources

Efficiently deploy personnel able to make the right business decisions quickly

#### Develop Products and Services

Provide products and services that meet market needs  
Provide a broader range of solutions

Develop more products and services geared to CSR needs  
Respond to diversifying business opportunities

## Nurturing and Harnessing Human Resources

### Personnel needed

### Professionals with knowledge of the latest banking practice

Optimize deployment of personnel  
Develop capabilities of female employees  
Nurture expert talent

Strengthen training and operational guidance  
Harness the knowledge and experience of veteran employees

### Risk management capabilities

FIRB approach,  
integrated risk management

### Advanced system infrastructure

New branch operating system,  
new backbone computer system,  
new office building

### Expand delivery channels

Bigger branch network/Hello  
Support direct marketing channels

Our

## sophisticated risk management

March 2010 (3 years)

## CSR

**Credit risk:** More sophisticated credit risk management; initiatives, and put in place corporate governance structures

## Strategies

### Being highly CSR-conscious

### Securities Strategy

Manage portfolios with efficient use of capital

Seek returns duly balanced against risk

Risk control for equity investments with specific policy purposes

## Business Environment

Addressing rising market interest rates, the spread of electronic money, and the larger number of baby-boomer retirees amid a rising dependency ratio (fewer births, more retirees)  
(Systemic change) Addressing enactment of the Financial Products Exchange Law (J-SOX) and Basel II, and amendment of the FSA's financial inspection procedures  
(Competitive environment) Privatization of Japan Post, allowing ordinary companies to enter the banking business, and expansion of online banking

Reform the merit-based compensation system

Create a personnel system that gives free rein to employees' potential

Strengthen internal control systems

## Internal Processes

More sophisticated management of operations (respond appropriately to Basel II capital adequacy requirements)  
Optimize deployment of risk capital, manage operations based on credit rating  
Better customer service  
More effective capital policies

Strengthen BCP (Business Continuity Plan) initiatives  
Compile a CSR charter  
Make more effective use of IT systems

Develop a more sophisticated approach to internal controls and disclosure management, strengthen compliance  
Reform administrative processes  
Pursue efficiency and leverage Group companies

### Stronger capital ratio

Achieve capital ratio well ahead of regulatory minimum

### CSR-oriented management with the environment as its centerpiece

Winning community approval for our environmental and CSR record

### Growth potential of markets in Shiga Prefecture

The rate of population increase in Shiga Prefecture is one of the highest in Japan.

## Strengths

## Enhancing Enterprise Value Through More Sophisticated Risk Management

The Bank began implementing its 3rd Medium-Term Business Plan for the 21st Century in April 2007. We have now entered the third and final year of this three-year plan.

With its main theme of enhancing enterprise value through more sophisticated risk management, the new plan is intended as the culmination of our efforts to date to establish an original management model based on the principle of accountability, enabling us to realize our vision of becoming a partner in prosperity for the community we serve.

## The “3 Cs” Plus CSR

To build up enterprise value, we consider it important to pull together as a group to steadily grow earnings through an optimized risk return policy — in other words, generate more economic value — while building up social value through CSR activities.

Under the basic strategy of the current Medium-Term Business Plan, we have added CSR to our Group commitment to a new set of “3 Cs”: Consolidation (upgrade products and services, and take a realistic yet bold approach to risk assumption); Credit risk (more sophisticated credit risk management); and Cost control (greater efficiency).

## Bolstering Relationship Banking

We are dividing our operations into relationship banking — using stronger ties with our customers to better tailor our operations to their needs — and broadening our range of operations to enhance customer convenience. To further strengthen our solutions business in our relationship banking activities, we have broadened our portfolio of solutions and shifted more resources into this area.

At the same time, in efforts to broaden our scope of operations to enhance customer convenience, we have created a more efficient operating structure capable

of responding to customer needs better in terms of products and systems based on a new core computer system, started its operation in January 2008.

## Further Strengthening Personnel Training

Personnel training is vital for accurately and swiftly tailoring our services and products to customer requirements as these become more diverse and sophisticated.

The areas we are focusing on in the current Medium-Term Business Plan are strengthening training, development of our female employees’ roles, harnessing the expertise and experience of veteran employees and fostering expert talent.

In February 2009 construction was completed of the Shigagin Hamamachi Training Center, which is expected to serve as an effective new facility for personnel training.

The new facility will also serve as a symbol of the Bank’s commitment to CSR in the environmental sphere, thanks to its solar power generation system, and its rooftop and wall greenery.

## Optimizing Management Resources

To ensure a more efficient and effective marketing strategy, making maximum use of Foundation Internal Ratings-Based models for credit risk compatible with Basel II, we are reallocating management resources to growth markets such as the Konan area of Shiga Prefecture, the southern districts of Kyoto and Osaka area and Mie area.

Outside our home territory of Shiga Prefecture, we have recently been expanding our branch network in the neighboring major urban areas of Osaka and Kyoto. In June 2007 we established a new department in our branch in Umeda, Osaka. This department specializes in corporate customers in the Osaka-Kita area. In February 2008 we opened a branch in Uji in the southern part of Kyoto. Once the Shin-Meishin Expressway (work on which is currently suspended) is

# Enterprise Value Through Enhanced Risk Management —

opened for its entire length, it will link Mie Prefecture to Hyogo Prefecture, and this is expected to stimulate the economy of Mie Prefecture. In anticipation of this, in June 2008 we established a new unit dedicated to serving corporate customers in Mie within our existing branch at Tsuchiyama. In these ways we have been bolstering our fund operation capabilities, particularly in loan business operations.

In May 2009 we opened a mini-branch in Minami-Kusatsu, near the western exit of Minami-Kusatsu Station. This is our first branch dedicated solely to serving individual customers.

## Total Commitment to the Three Brand-Building Strategies

We are proactively developing the three brand-building strategies — providing expertise and care, being strong in Asia and highly CSR-conscious — launched in the previous Medium-Term Business Plan.

## Numerical Targets

The goal of the current Medium-Term Business Plan is to further increase gross business profit, based on expansion of the loan portfolio and of revenue from fees and commissions.

Performance Indicators	March 31, 2010	Business Results (March 31, 2009)
ROE (Consolidated)	5% or higher	(7.53)%
Capital Ratio (Consolidated)	Approximately 11%	10.34%
Tier I Ratio (Consolidated)	9% or higher	8.73%
Overhead Ratio (Non-consolidated)	60% or lower	81.25%
Carbon Dioxide Emissions	6% reduction	* 23.29%

\* The start of business operations at the new building (accommodating the Bank's Shigagin Hamamachi Training Center) caused carbon dioxide emissions to reach 1.19% more than the amount recorded during the base year of fiscal 1990. However, the Bank's purchase of emission rights for 2,000 tons resulted in a carbon offset and a reduction of 23.29% from the base year.

Specific Initiatives	Target (Year ending March 31, 2010)	Results (Year ended March 31, 2009)	Rate of Progress (Year ended March 31, 2009)
<b>Initiatives for "providing expertise and care"</b>			
Number of borrowers whose borrower categories have been upgraded (116 borrowers as of March 31, 2009)	60	59	98.3%
Number of times to utilize the Small and Medium Enterprise Rehabilitation Support Association	21	14	66.6%
Number of times to provide new business support (acting as coordinator)	100	32	32.0%
Number of times to arrange business matching meetings	2,000	1,113	55.6%
Number of proposals submitted for business succession	360	198	55.0%
Number of small business loans	3,000	950	31.6%
Amount of small business loans	¥15 bil.	¥6.1 bil.	40.6%
<b>Initiatives for "being strong in Asia"</b>			
Number of times the Bank introduced clients to local counterparties (with the aim of expansion into East Asian markets)	3,600	2,175	60.4%
Number of advisory contracts for companies entering China	10	5	50.0%
Overseas missions, overseas business talks	3 times each	2 times each	66.6%
Number of times arranged business matching meetings with Chinese companies	10	8	80.0%
Number of cross-border loan contracts	10	10	100.0%
Number of coupon-swap contracts	60	86	143.3%
Number of contracts for foreign currency time deposits with a special agreement	100	66	66.0%
<b>Initiatives for "being highly CSR-conscious"</b>			
Eco and Earthquake Resistance Mortgage Loan	3,500	680	19.4%
Eco-Plus Time Deposit	850,000	617,459	72.6%
Official supporters of the Shigagin Principles for Lake Biwa (PLB) — (Aggregate number)	2,000	4,528	*352.8%
Total number of loans under the PLB Fund/Eco-Clean Loan Program	1,400	1,318	*81.4%
Total amount made under the PLB Fund/Eco-Clean Loan Program	¥18 bil.	¥20.5 bil.	*145.2%
Aggregate number of risk consulting cases relating to disasters	100	303	*412.3%

\*Note: Regarding products marked with an asterisk, aggregate numbers have been employed for numerical targets. Net increases over the past two years (since April 2007) have been used in the calculation of the rate of progress.

# Three Brand-Building Strategies

Our marketing strategy has three brand-building strategies: (1) providing expertise and customer care; (2) being strong in Asia; and (3) being highly CSR-conscious. As it implements its 3rd Medium-Term Business Plan for the 21st Century, Shiga Bank will further refine its unique features.

## (1) Providing Expertise and Customer Care

We will aggressively work to provide a fuller menu to help customers solve problems.

### Services for Individuals

The Bank engages in the Solutions Business at all branches as the core activity in “Providing expertise and customer care.” Our Financial Planning (FP) activities are the main services offered to individual customers. We endeavor to present a menu of effective measures as we provide consulting on such issues as inheritance, donations, wills, and effective use of real estate. We are also moving ahead with our plan to have all Bank employees obtain FP qualifications. As of March 31, 2009, the number of qualified employees had risen to 1,894.

### Offering Remedial Measures Against Loss-Making Asset Investments by Customers Amid the Bear Market

The Private Banking Team at the Bank’s head office works together with the Area Consulting Leaders in each marketing area to devise remedial measures for customers who have suffered losses on investments trust and pension insurance contracts concluded with the Bank. Our staff consult with customers, and the Bank holds frequent seminars on asset investment and meetings at which the latest data on investment trusts is reported. Sixty-nine such seminars and meetings (including those held by a branch) were held in the latter half of fiscal 2008, with the attendance of around 3,800 customers.

### Main FP Consultation Menu for Individuals

1. Inheritance and advancement consulting
2. Consulting on wills
3. Effective use of real estate
4. Trusts established for public benefit and trusts for designated contributions
5. Setting up corporations
6. Consulting for physicians setting up their own practice.
7. Support for medical care provider start-ups

### Services for Corporations

For corporate customers, the Bank’s Corporate Business Strategy Group works hand-in-hand with branches to help with business issues such as succession measures, or mergers and acquisitions (M&A). This activity is part of the Bank’s aggressive efforts in Corporate FP.

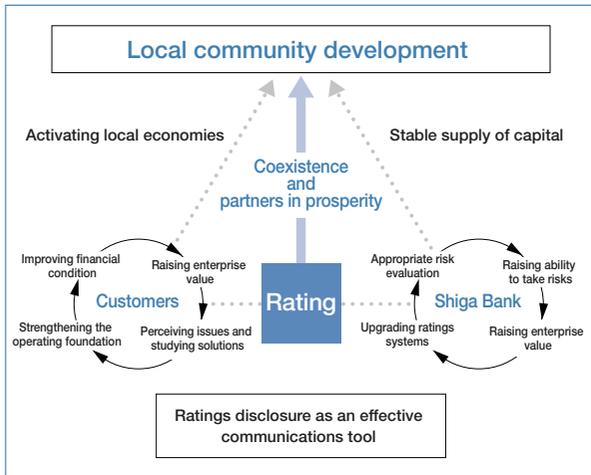
Additionally, since August 2007 we have been working together with customers to raise their enterprise value through the Shigagin Ratings Communication Service.

### The Shigagin Ratings Communication Service — Working Together with Our Customers to Realize Mutual Prosperity

Under the new Basel II international standards on risk management, which went into effect at the end of March 2007, the Bank is required to implement a specific advanced Foundation Internal Ratings Based (FIRB) approach to risk management. Shiga Bank has joined the group of top five regional banks authorized to adopt these advanced standards.

It was on this basis as an FIRB bank that, the Bank began its “Shigagin Ratings Communications Service” in August 2007. This service provided to business clients

## Significance and Purpose of the Ratings System



is based on independent data accumulated in our internal ratings activity. As of the end of March 2009 we have provided ratings to 1,248 corporate borrowers (1,498 times). We have been able to strengthen our operating foundation by sharing ratings criteria with business partners, as well as tasks and risk.

## Matters on which Our Corporate Financial Planners Offer Consultation Services

1. Business succession plans
2. Support for IPOs
3. M&A
4. Reviews/redesign of company pension systems
5. Securitization of receivables; full factoring services
6. Charitable trusts and specified donation trusts
7. Arrangement of technology agreements between customers and academic institutions
8. Support for application to the Bank's Management Innovation Scheme, a management support system for business start-ups
9. Analysis of ROE and cash flow
10. Consulting for medical care enterprises
11. Management support consulting
12. ISO accreditation consulting
13. Commodity derivatives
14. Consulting on drafting business continuity plans (BCPs)
15. Operating lease transactions

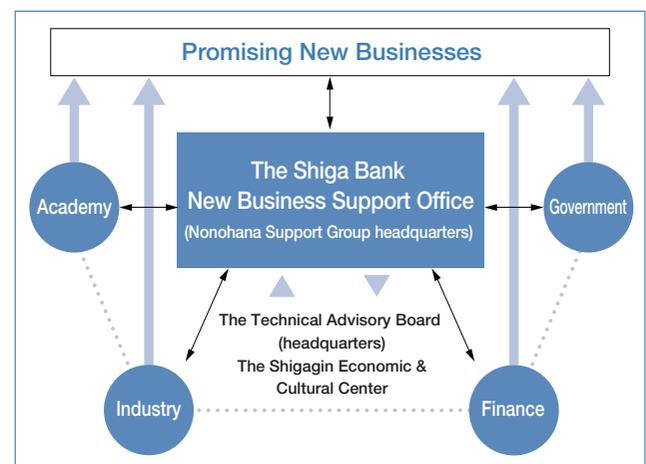
## Nonohana (New Business) Support

Shiga Bank sees fostering the development of new businesses — under its Nonohana (New Business) program — as part of its mission as a regional financial institution. The Shigagin Business Support Office helps promote the development of the regional economy through effective programs to meet the diverse and complex needs of a wide range of business start-ups.

## Shigagin Nonohana Support Group Helps Realize Business Start-Up Dreams

To give even stronger support for the establishment of new companies or the expansion of existing companies into new lines of business, we are making full use of the Shigagin Nonohana Support Group. This is a unique new regional support network that we have created through an alliance of financial institutions, manufacturing companies, academic bodies, and governmental institutions. The main governmental body involved is the Shiga Prefectural Government, and the academic side is represented by nine universities and colleges in Shiga and Kyoto prefectures. The network leverages the wide-ranging expertise of the participants to extend financial support to venture businesses, companies trying to enter new business fields, and those planning to carry out an IPO.

## The Nonohana Support Group in the Shigagin New Business Support Network



## (2) Being Strong in Asia

### Close Collaboration Between International Department and Overseas Branches

We provide effective support for customer companies wishing to expand their activities into East Asian markets. In January 2009 we established the International Department (formerly part of the Securities & International Department) as an independent unit. This organizational change is aimed at extracting maximum leverage from Shiga Bank's status as the only regional bank in the Kinki region with overseas offices. We aim not only to enhance our support for companies entering East Asian markets, but also to expand our range of Asia business services, primarily to business matching services. The Bank is also planning to upgrade its international services in collaboration with its partners in Japan and overseas.

### Asia Desk, a Base for Disseminating Information

As part of the Securities and International Department at the Head Office, the Asia Desk is a core unit in the Bank's overseas network. It offers the following services.

1. Consulting and advice on foreign trade
2. Proposals on hedging foreign exchange risk in foreign trade
3. Providing Information related to expanding operations overseas
4. Investigation of credit standing of foreign companies
5. Support and advisory services for advancing overseas
6. Business matching with companies overseas
7. Support for capital procurement for overseas local subsidiaries
8. Holding Asia Seminars
9. Proposing hedging methods for various risks in foreign trade

### Hong Kong Branch Marks 15th Anniversary

Shiga Bank's Hong Kong Branch is the only overseas branch operated by a Kinki regional bank. In December 2008 the branch celebrated its 15th birthday

by holding a gathering for corporate customers. This reception was attended by 80 representatives from 57 Japanese companies operating in Hong Kong and Southern China.

Staff at our Hong Kong Branch meet the funding needs of customers not only in Hong Kong but also the rest of China and Southeast Asia via cross-border loans. As of the end of March 2009 the branch had extended ten such loans.

### Shanghai Representative Office Marks Five Years Since Establishment

Shiga Bank set up its Shanghai Representative Office five years ago to meet the needs of a growing number of Japanese companies seeking to set up business operations in China. In December 2008 the staff of the representative office organized a business trip (under the name "Shigagin China Mission") for Japanese business people to the northeast Chinese city of Tianjin, famous for its concentration of manufacturing industries, and to Changsha in Hunan Prefecture, which is one of the most important Chinese economic centers outside the coastal zone.

The Shanghai Representative Office also hosted a customer gathering for customers operating businesses in a wide area stretching from South China to the Shanghai area. The event was attended by the representatives of 153 companies plus other business



people who had participated in the Shigagin China Mission, for a total of 225 attendees.

### **(3) Being Highly CSR-Conscious**

#### **Contributing to the Regional Community through Multifaceted CSR Activities, Centered on Loans for Development of Environmental Preservation Products**

On July 1, 2008 Shiga Bank became the first financial institution to receive certification as an “Eco-First Enterprise” under the “Eco-First System” established by the Ministry of the Environment. Shiga Bank conducts CSR activities that are unique to a financial institution, such as supporting environmental preservation by corporations and other bodies in the local region through provision of loan products and services for environmental preservation programs.

#### **Shiga Bank Recognized as Official Participant in Emissions Rights Trading Market in Japan**

On April 15, 2009 the Bank’s application to join Japan’s emission rights trading system was approved at the third meeting of the accreditation committee for the system. Shiga Bank is the first regional bank to be certified as an official participant in this market.

Specifically, the Bank is acting as a joint carbon emissions trading participant together with other companies with respect to textile manufacturing plants in Nagahama City, Shiga Prefecture. Utilizing loans provided by the Bank, the plants plan to convert their boilers to run on natural gas instead of the coal and fuel oil used previously. The Bank will subsequently obtain the emission rights for sale to other companies.

Because the CO<sub>2</sub> emissions trading system in Japan is not yet properly in operation, the Bank has hitherto concentrated its efforts on acquiring emissions trading rights overseas. It is expected that this planned acquisition of domestic emissions trading rights will both help to stimulate the regional economy and contribute to the fight against global warming.

Note: Japan’s emission rights trading system

This system enables small and medium-sized enterprises to utilize funding and advanced technologies provided by large corporations to effect reductions in their emissions of greenhouse gases, principally carbon dioxide. These enterprises receive certification of carbon emissions credits from a central accreditation committee, and these can be purchased by other manufacturers.

#### **Shigagin Hamamachi Training Center to Symbolize Commitment to Human Resources Development and CSR in the Environmental Sphere**

In February 2009 construction was completed of the Shigagin Hamamachi Training Center. With its solar power generation system and its rooftop and wall greenery, the Training Center incorporates the latest environmental techniques developed by companies in Shiga Prefecture and elsewhere. Compared with buildings employing standard building methods, the Training Center emits approximately 55 tonnes (22.4%) less carbon equivalent per annum, and the design also pays great attention to interior comfort for users and exterior attractiveness. As a result, it has been awarded the highest ranking under the CASBEE (Comprehensive Assessment System for Built Environment Efficiency) system by the Institute for Building Environment and Energy Conservation. This is the first such award for a financial institution in Western Japan.



The Shigagin Hamamachi Training Center

# Comprehensive Control Mechanisms for Specific Risk Categories

## Toward a Stronger Risk Management System

Shiga Bank has been authorized to adopt the advanced Foundation Internal Ratings-Based risk management approach under the new Basel II BIS capital adequacy requirements, bringing us to a new stage in our efforts to build an advanced risk management system based on the principle of accountability. By continuing to develop these methodologies and constructing still more advanced risk management systems, we aim to further enhance our capabilities in this important area.

### (1) Comprehensive Risk Management

Our Assets & Liabilities Management Department is responsible for unified monitoring of all risk.

In particular, we are taking steps to appropriately evaluate loan concentration risk, which is outside the scope of the capital adequacy requirements, and interest rate risk on our own accounts. We have quantified these risks to compare them with the Bank's regulatory capital.

### (2) Integrative Risk Management

In our integrative risk management, we measure and manage risk quantitatively using such integrated yardsticks as the (maximum) Value at Risk (VaR) formula applied to each risk category. At the same time, we integratively control quantifiable risk and ensure that the magnitude of risk is kept within the specified ratio to regulatory capital, based on the capital allocation system (of covering each risk category with an amount no smaller than the maximum potential loss). In line with the launch of Basel II in March 2007, we are also reforming our capital allocation system to create more sophisticated risk management mechanisms.

### (3) Credit Risk Management

We regard credit as the most important category of risk in terms of scale and scope. We are creating appropriate mechanisms for management of credit risk by putting in place a borrower-rating system based on the Foundation Internal Ratings-Based approach under Basel II.

### (4) Operational Risk Management

Operational risk should be avoided as much as possible during the course of daily operations. We are taking measures to forestall such risk where its emergence is expected, and to minimize impact when it materializes. Risk appraisal is based on the regular implementation of the Bank's Risk-Control-Self-Assessment (RCSA) standard as part of our efforts to establish a risk management system in conformity with Basel II.

To refine our risk management, we gather and analyze data relating to operational risk, and implement measures aimed at forestalling such risk as well as controlling, transferring and avoiding risk. To increase the effectiveness of risk management, we are adopting the Plan-Do-Check-Act (PDCA) cycle.

### (5) Market Risk Management

To ensure stability of earnings generation, we draft an ALM plan each half-year, which incorporates plans for investments in securities and other instruments, taking into account the risk-return scenario of the entire Bank. The status of market risk is quantified and monitored, with findings reported to top management. Organizationally, the business, administrative, and risk management functions are conducted by separate departments, each of which checks the operations of the others.

### (6) Liquidity Risk Management

With respect to managing the flows of funds, the Financial Markets Department monitors the financial environment, balance of liquid assets, expected cash outflows, and other fund-raising factors, and acts as appropriate. At the same time, the Assets & Liabilities Managing Department keeps track of day-to-day risk management, to ensure that obstacles to our fund-raising do not appear.

### (7) Reputational Risk Management

The Bank has formulated a general outline for dealing with rumors that could affect its business, and has put place measures and internal systems to deal with exceptional situations or expected exceptional situations related to reputational risk.

# Internal Control System

## Internal Control System Status

In accordance with Companies Act and the Regulations for Enforcement of the Companies Act, the fundamental policy of our internal control structure was discussed and determined by the Board of Directors. As detailed below, the Bank has a system to ensure appropriate practices in the execution of its daily business.

In accordance with the provisions of the Financial Product Transaction Law, Shiga Bank Group began implementing a system of internal controls reports in April 2008. In June 2008, the Bank Group established an Internal Controls Group as a new section in its Assets & Liabilities Managing Department to plan, supervise and evaluate the internal controls reports. Steady progress is being made toward implementing this system.

In addition, we have made every effort to establish more transparent management and improve communications with customers, shareholders, and regional communities by positively and fairly disclosing financial and other information. In April 2008, with the aim of ensuring that information is disclosed in a fair, appropriate and timely manner, Shiga Bank established "Regulations on the Disclosure of Management Information" and a system overseen by the General Planning Department.

## Fundamental Policy of the Internal Control System Structure

### <Fundamental Policy>

The Bank sees the appropriate execution of its social responsibilities as an essential role in its overall management approach and in order to ensure that the Bank is using the most appropriate work practices when carrying out its business, the following (Internal Control System) structure has been put in place. Moreover, in order for the Bank to flexibly change its operational system in line with changes in the business

environment, the Bank will review following systems as needed.

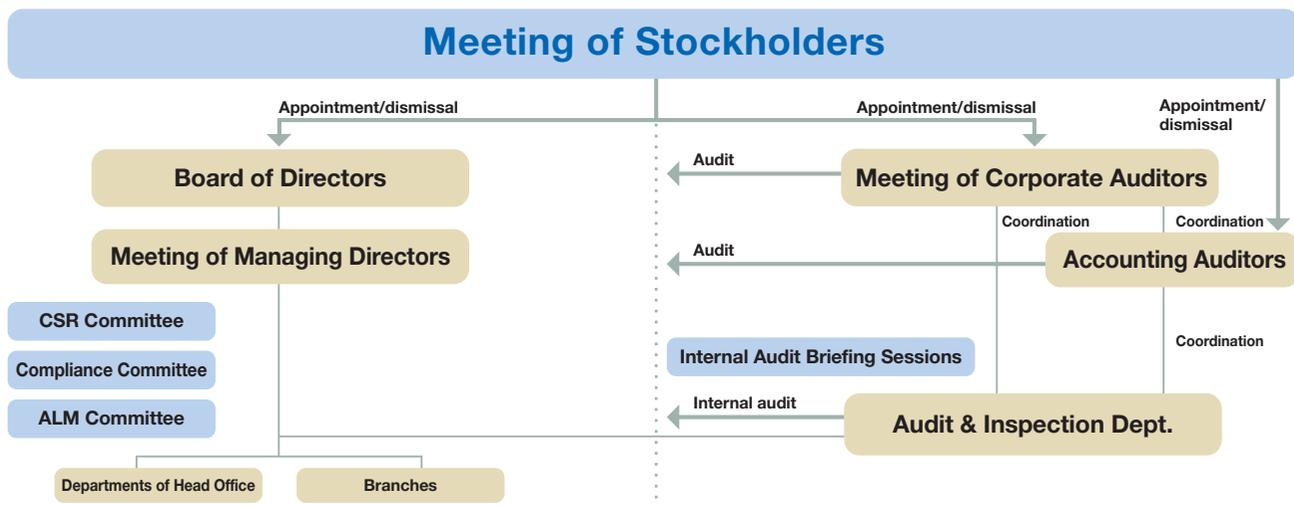
(Systems to ensure the most appropriate work practices)

1. A system to ensure that the Bank's Directors are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation. A system to ensure that Bank employees are executing their duties in accordance with the law as well as the Bank's Articles of Incorporation.
2. A system to store and maintain information related to the Directors and the execution of their duties.
3. A system to ensure that regulations related to risk management are being followed.
4. A system to ensure that the Directors execute their duties in an effective manner.
5. A system to ensure that the Shiga Bank Group, consisting of the parent Bank and its subsidiary companies use the most appropriate work practices in the execution of their business.
6. In the event that the Bank's statutory auditors request the appointment of employees of the Bank to assist their tasks, said employees shall be treated pursuant to stipulations in Article 100, Paragraph 3, Item i of the Regulations for Enforcement of the Companies Act. Independence of such employees from the Directors shall also be assured.
7. A system to facilitate reporting to the statutory auditors by the Bank's Directors and employees, an auxiliary system for reports to the statutory auditors, and a system to ensure the effective execution of any audit carried out by the statutory auditors.

# Corporate Governance

Based on its commitment to being a partner for prosperity for local communities, the Bank is upgrading its corporate governance system to ensure the soundness, efficiency, and transparency of management. In addition to strengthening risk management, we are pursuing a number of specific initiatives. These include improving operating efficiency, instilling widespread compliance with legal and ethical rules, disclosing information in an appropriate and timely manner, and upgrading the content of materials disclosed. In addition, we intend to constantly review the status of corporate governance in order to properly address the ever-changing business conditions that we face.

Shiga Bank's corporate governance system (as of March 31, 2009) is shown in the chart below.



## Company Organizations

### (1) Board of Directors

The Board of Directors, with 17 members, meets once a month in principle. At the meetings, decisions are made on important business matters for conduct business. Corporate auditors attend all such meetings to monitor the performance of directors.

### (2) Board of Corporate Auditors

The Board of Corporate Auditors has four statutory auditors, including two from outside the Bank. The Board meets once a month, in principle. Corporate auditors also attend other important meetings, including those of the Board of Directors and Executive Committee, as well as internal audit briefing sessions. They also audit the performance of directors in their duties through ongoing examination of the Bank's business performance and financial position.

### (3) Meeting of Managing Directors

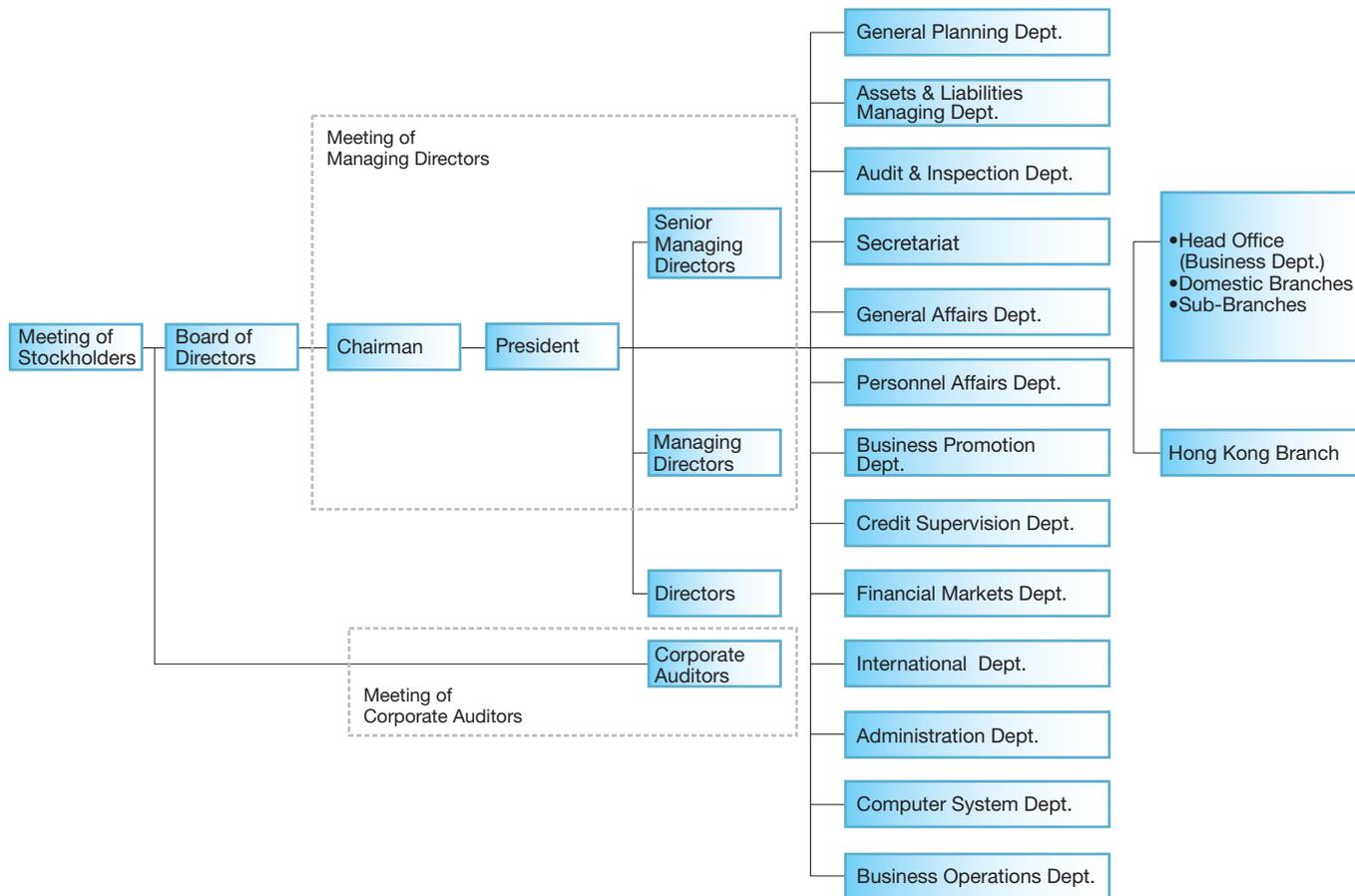
The Executive Committee consists of the chairman, president, senior managing directors, and managing directors. It meets as necessary to make swift decisions about overall operations, including investment plans, new product development, business structural changes and monitoring the risk environment. Important items related to the execution of business are submitted to the Board of Directors.

### (4) Internal Audit System

Seeking to conduct its business in a sound and appropriate manner, the Bank established the Audit & Inspection Department to undertake internal audits. The Department performs audits of the Bank's branches to ensure that their internal control mechanisms are functioning properly and effectively, in accordance with annual internal audit plans approved each year by the Board of Directors.

# Organization Chart

As of June 30, 2009



## Board of Directors

As of June 25, 2009

### Chairman

Koichi Takata

### President

Yoshio Daido

### Senior Managing Director

Kazuo Isobe

### Managing Directors

Etsuo Mori

Yasuhiko Inoue

Hiroshi Nakagawa

Ikuo Yoshida

Yukio Nishizawa

### Directors

Shigeru Tamura

Susumu Ota

Norio Inoue

Shojiro Takahashi

Shinichi Kodama

Kenzaburo Nishikawa

Hiroshi Oku

Hajime Moroto

Etsuo Imai

### Corporate Auditors

Minoru Fujii

Masamichi Mizutani

Jingoro Nishikawa

Tadashi Yasuhara

# Financial Section

The Shiga Bank, Ltd. and Consolidated Subsidiaries

## CONSOLIDATED FIVE-YEAR SUMMARY

March 31, 2009, 2008, 2007, 2006, and 2005

	Millions of yen				
	2009	2008	2007	2006	2005
As of March 31					
Total assets	<b>¥4,123,026</b>	¥4,115,109	¥4,179,335	¥4,082,911	¥4,006,137
Investment securities	<b>1,113,812</b>	1,225,131	1,355,021	1,426,683	1,403,630
Loans and bills discounted	<b>2,710,948</b>	2,551,368	2,473,464	2,378,949	2,318,503
Deposits	<b>3,654,781</b>	3,595,050	3,705,751	3,624,279	3,579,204
Total equity	<b>218,948</b>	256,868	283,997	247,333	221,701
Years ended March 31					
Total income	<b>96,103</b>	116,258	99,356	99,914	90,974
Total expenses	<b>113,592</b>	106,138	83,956	77,892	71,544
Net income (loss) before income taxes and minority interests	<b>(17,488)</b>	10,120	15,399	22,021	19,429
Net income (loss)	<b>(16,218)</b>	3,597	8,839	10,209	11,483
Per share data (in yen)					
Cash dividends	<b>¥ 6.00</b>	¥ 6.00	¥ 6.00	¥ 5.50	¥ 5.00
Net income (loss)	<b>(61.40)</b>	13.60	33.41	38.43	43.05
Net equity	<b>743.58</b>	887.14	987.98	934.66	837.29
Ratio					
Capital ratio	<b>10.34%</b>	11.16%	12.20%	11.25%	11.18%
ROE	<b>(7.53%)</b>	1.45%	3.47%	4.35%	5.34%

### Financial Review (Consolidated Basis)

The Japanese economy deteriorated rapidly in the second half of fiscal 2008 in response to the global financial crisis triggered by the bankruptcy of Lehman Brothers in September 2008.

In the financial sector, market and funding liquidity rapidly worsened, and the Bank of Japan took emergency measures such as cutting key policy interest rates twice, partially easing capital ratio regulations for bank operations, and relaxing standards for restructured loans.

The impact of this unprecedented financial crisis has made unavoidable the posting of substantial losses on the impairment of stocks and bonds in our investment portfolio. As a result, Shiga Bank posted its first-ever net loss for fiscal 2008.

### Balance Sheets

Deposits (including negotiable certificates of deposit), centering primarily on the deposits of individuals, rose ¥59,731 million from the previous term-end to ¥3,654,781 million (US\$37,206 million).

The balance of loans and bills discounted increased ¥159,580 million to ¥2,710,948 million (US\$27,597 million). Investment securities holdings decreased by ¥111,319 million to ¥1,113,812 million (US\$11,338 million).

Total assets at the fiscal year-end stood at ¥4,123,026 million (US\$41,973 million), for a year-on-year increase of ¥7,916 million. Total equity came to ¥218,948 million (US\$2,228 million), down ¥37,919 million from the previous term-end.

## Statements of Operations

Total income for the reporting period fell ¥20,155 million to ¥96,103 million (US\$978 million), due to declines in interest income, fees and commissions and other operating income.

Total expenses rose by ¥7,453 million to ¥113,592 million (US\$1,156 million), primarily due to impairment losses on securities holdings caused by the global financial crisis. As a result, the Bank posted a loss before income taxes and minority interests of ¥17,488 million (US\$178 million), compared with income of ¥10,120 million in the previous term. The Bank also posted a net loss of ¥16,218 million (US\$165 million) compared with income of ¥3,597 million for the previous period.

## Cash Flows

Cash and cash equivalents at the reporting term-end, on a consolidated basis, amounted to ¥56,373 million (US\$573 million), up by ¥15,937 million from the previous term-end.

## Cash Flows from Operating Activities

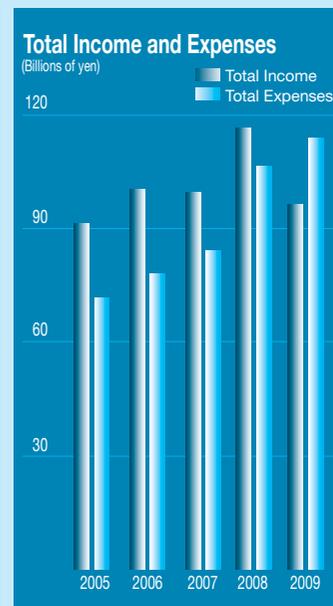
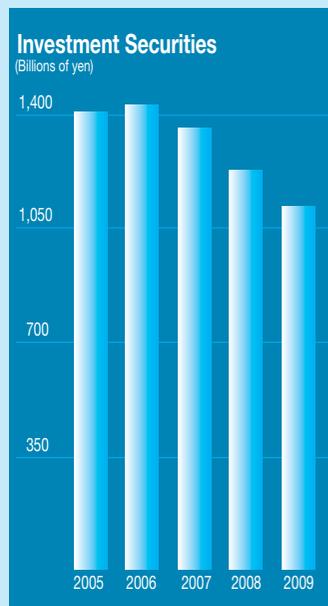
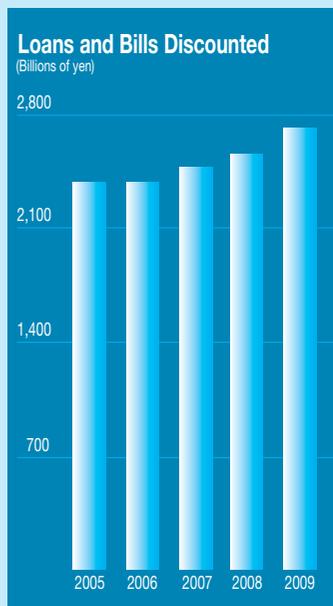
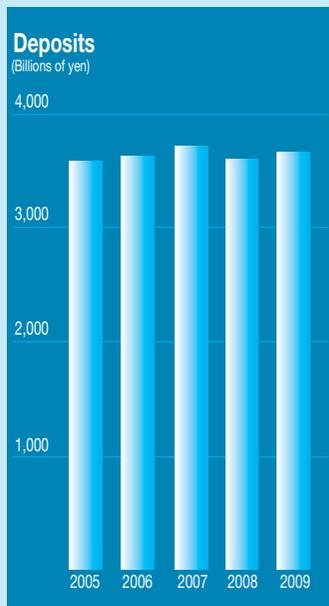
Net cash used in operating activities during the term decreased ¥3,458 million to ¥54,727 million (US\$557 million), due primarily to a growth in loans, as expected.

## Cash Flows from Investing Activities

Net cash provided by investing activities decreased by ¥5,566 million to ¥52,995 million (US\$539 million), mainly as the result of a decline in proceeds from the sale of securities.

## Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥17,674 million (US\$179 million), compared with a net outflow of ¥8,327 million for the previous year. This improvement is mainly attributable to the issuance of subordinated debt securities.



**CONSOLIDATED BALANCE SHEETS**

As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>ASSETS</b>			
Cash and due from banks (Note 3)	¥ 56,807	¥ 42,211	\$ 578,315
Call loans and bills bought	57,828	103,465	588,706
Debt purchased	18,697	22,501	190,342
Trading securities (Note 25)	1,118	1,020	11,390
Money held in trust (Note 25)	9,379	11,965	95,488
Investment securities (Notes 4, 10 and 25)	1,113,812	1,225,131	11,338,818
Loans and bills discounted (Note 5)	2,710,948	2,551,368	27,597,971
Foreign exchange assets (Note 6)	3,303	4,866	33,632
Other assets (Notes 7 and 10)	53,765	53,196	547,344
Tangible fixed assets (Notes 8, 9 and 12)	59,885	72,759	609,646
Intangible fixed assets	6,227	9,625	63,394
Deferred tax assets (Note 24)	24,131	8,446	245,664
Customers' liabilities for acceptances and guarantees (Note 16)	33,686	35,150	342,936
Allowance for possible loan losses	(26,566)	(26,599)	(270,447)
Allowance for possible losses on investment securities	(1)	(0)	(19)
<b>Total assets</b>	<b>¥4,123,026</b>	<b>¥4,115,109</b>	<b>\$41,973,187</b>
<b>LIABILITIES</b>			
Deposits (Notes 10 and 13)	¥3,654,781	¥3,595,050	\$37,206,363
Negotiable certificate of deposits	109,875	100,005	1,118,554
Call money and bills sold (Note 10)	196	6,200	2,001
Payables under securities lending transactions (Note 10)	4,116	24,335	41,911
Borrowed money (Notes 10 and 14)	45,527	16,305	463,474
Foreign exchange liabilities (Note 6)	69	114	705
Other liabilities (Notes 10 and 15)	33,604	59,675	342,100
Liability for employees' retirement benefits (Note 23)	8,978	7,984	91,405
Liability for retirement of directors and corporate auditors	256	243	2,608
Liability for reimbursement of deposits	609	661	6,209
Allowance for repayment of excess interest	145	113	1,478
Reserve for other contingent losses	1,132	988	11,526
Deferred tax liabilities for land revaluation (Note 12)	11,096	11,381	112,968
Negative goodwill		29	
Acceptances and guarantees (Note 16)	33,686	35,150	342,936
<b>Total liabilities</b>	<b>3,904,077</b>	<b>3,858,241</b>	<b>39,744,245</b>
<b>EQUITY (Note 17)</b>			
Common stock, authorized, 500,000,000 shares; issued, 265,450,406 shares as of March 31, 2009 and 2008	33,076	33,076	336,729
Capital surplus	23,970	23,971	244,023
Retained earnings (Note 29)	120,936	138,614	1,231,152
Net unrealized gains on available-for-sale securities (Note 25)	8,782	28,940	89,404
Deferred loss on derivatives under hedge accounting	(2)	(4)	(21)
Land revaluation surplus (Note 12)	10,448	10,573	106,364
Treasury stock - at cost 1,421,566 shares and 1,204,237 shares as of March 31, 2009 and 2008, respectively	(884)	(748)	(9,007)
<b>Total</b>	<b>196,326</b>	<b>234,425</b>	<b>1,998,645</b>
Minority interests	22,621	22,442	230,296
<b>Total equity</b>	<b>218,948</b>	<b>256,868</b>	<b>2,228,941</b>
<b>Total liabilities and equity</b>	<b>¥4,123,026</b>	<b>¥4,115,109</b>	<b>\$41,973,187</b>

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>INCOME</b>			
Interest income:			
Interest on loans and discounts	¥ 53,319	¥ 52,284	\$ 542,805
Interest and dividends on securities	16,434	20,665	167,309
Other interest income	283	641	2,883
Fees and commissions	12,377	13,460	126,006
Other operating income (Note 18)	10,298	14,059	104,840
Other income (Note 19)	3,389	15,147	34,504
<b>Total income</b>	<b>96,103</b>	<b>116,258</b>	<b>978,349</b>
<b>EXPENSES</b>			
Interest expense:			
Interest on deposits	11,548	12,073	117,564
Interest on borrowings and rediscounts	425	893	4,333
Other interest expense	591	1,705	6,018
Fees and commissions	3,660	3,843	37,261
Other operating expenses (Note 20)	15,379	19,064	156,568
General and administrative expenses	49,898	47,933	507,977
Other expenses (Notes 2 (r) ii, 9 and 21)	32,088	20,623	326,664
<b>Total expenses</b>	<b>113,592</b>	<b>106,138</b>	<b>1,156,388</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>(17,488)</b>	<b>10,120</b>	<b>(178,038)</b>
<b>INCOME TAXES (Note 24)</b>			
Current	797	12,715	8,114
Deferred	(2,886)	(6,581)	(29,390)
<b>MINORITY INTERESTS</b>	<b>(819)</b>	<b>(389)</b>	<b>(8,345)</b>
<b>NET INCOME (LOSS) (Note 28)</b>	<b>¥(16,218)</b>	<b>¥ 3,597</b>	<b>\$ (165,108)</b>

	Yen		U.S. dollars (Note 1)
	2009	2008	2009
<b>PER SHARE INFORMATION (Notes 2(u) and 28)</b>			
Basic net income (loss)	¥(61.40)	¥13.60	\$(0.625)
Cash dividends applicable to the year	6.00	6.00	0.061

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Common stock</b>			
Balance at the beginning of the year	¥ 33,076	¥ 33,076	\$ 336,729
Changes during the year:			
Net change in the year			
Balance at the end of the year	¥ 33,076	¥ 33,076	\$ 336,729
<b>Capital surplus</b>			
Balance at the beginning of the year	¥ 23,971	¥ 23,966	\$ 244,032
Changes during the year:			
Sales of treasury stock	(0)	4	(9)
Net change in the year	(0)	4	(9)
Balance at the end of the year	¥ 23,970	¥ 23,971	\$ 244,023
<b>Retained earnings</b>			
Balance at the beginning of the year	¥138,614	¥135,261	\$1,411,124
Changes during the year:			
Net income (loss)	(16,218)	3,597	(165,108)
Cash dividends, ¥6.00 (\$0.061) per share	(1,585)	(1,586)	(16,136)
Reversal of land revaluation surplus	125	1,342	1,273
Net change in the year	(17,678)	3,353	(179,972)
Balance at the end of the year	¥120,936	¥138,614	\$1,231,152
<b>Net unrealized gains on available-for-sale securities</b>			
Balance at the beginning of the year	¥ 28,940	¥ 57,635	\$ 294,624
Changes during the year:			
Net change in the year	(20,158)	(28,694)	(205,220)
Balance at the end of the year	¥ 8,782	¥ 28,940	\$ 89,404
<b>Deferred loss on derivatives under hedge accounting</b>			
Balance at the beginning of the year	¥ (4)	¥ (7)	\$ (42)
Changes during the year:			
Net change in the year	2	3	20
Balance at the end of the year	¥ (2)	¥ (4)	\$ (21)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Land revaluation surplus</b>			
Balance at the beginning of the year	¥ 10,573	¥ 11,915	\$ 107,637
Changes during the year:			
Net change in the year	(125)	(1,342)	(1,273)
Balance at the end of the year	¥ 10,448	¥ 10,573	\$ 106,364
<b>Treasury stock</b>			
Balance at the beginning of the year	¥ (748)	¥ (604)	\$ (7,615)
Changes during the year:			
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	31	386
Net change in the year	(136)	(143)	(1,392)
Balance at the end of the year	¥ (884)	¥ (748)	\$ (9,007)
<b>Total</b>			
Balance at the beginning of the year	¥234,425	¥261,243	\$2,386,492
Changes during the year:			
Net income (loss)	(16,218)	3,597	(165,108)
Cash dividends, ¥6.00 (\$0.061) per share	(1,585)	(1,586)	(16,136)
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	35	376
Reversal of land revaluation surplus	125	1,342	1,273
Other changes	(20,281)	(30,033)	(206,472)
Net change in the year	(38,096)	(26,819)	(387,846)
Balance at the end of the year	¥196,326	¥234,425	\$1,998,645
<b>Minority interests</b>			
Balance at the beginning of the year	¥ 22,442	¥ 22,753	\$ 228,473
Changes during the year:			
Net change in the year	179	(310)	1,822
Balance at the end of the year	¥ 22,621	¥ 22,442	\$ 230,296
<b>Total equity</b>			
Balance at the beginning of the year	¥256,868	¥283,997	\$2,614,966
Changes during the year:			
Net income (loss)	(16,218)	3,597	(165,108)
Cash dividends, ¥6.00 (\$0.061) per share	(1,585)	(1,586)	(16,136)
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	35	376
Reversal of land revaluation surplus	125	1,342	1,273
Other changes	(20,102)	(30,343)	(204,650)
Net change in the year	(37,919)	(27,129)	(386,024)
Balance at the end of the year	¥218,948	¥256,868	\$2,228,941

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>OPERATING ACTIVITIES:</b>			
Income (loss) before income taxes and minority interests	¥ (17,488)	¥ 10,120	\$ (178,038)
Depreciation	5,271	9,701	53,661
Losses on impairment of long-lived assets	1,080	2,010	10,999
Amortization of negative goodwill	(29)	(29)	(302)
(Decrease) increase in allowance for possible loan losses	(33)	8,617	(336)
Increase (decrease) in allowance for possible losses on investment securities	1	(22)	15
Increase in reserve for other contingent losses	143	988	1,459
Increase in liability for employees' retirement benefits	994	1,138	10,120
Increase (decrease) in liability for retirement of directors and corporate auditors	12	(7)	125
(Decrease) increase in liability for reimbursement of deposits	(51)	242	(524)
Increase in allowance for repayment of excess interest	31	73	317
Interest income	(70,037)	(73,591)	(712,998)
Interest expense	12,565	14,673	127,915
Losses (gains) on sales and write-down of investment securities	20,523	(8,180)	208,936
Losses (gains) on money held in trust	447	(118)	4,551
Foreign exchange losses	5	36	53
Losses on disposal of fixed assets-net	441	158	4,493
Net increase in loans and bills discounted	(159,580)	(77,904)	(1,624,559)
Net increase in deposits	59,731	9,247	608,073
Net increase (decrease) in negotiable certificate of deposits	9,870	(19,944)	100,479
Net increase in borrowed money (excluding subordinated loans)	9,221	752	93,873
Net decrease in due from banks (excluding deposits in Bank of Japan)	1,341	125	13,655
Net decrease in call loans and others	49,441	25,776	503,327
Net decrease in call money and bills sold	(6,003)	(7,965)	(61,116)
Net decrease in payables under securities lending transactions	(20,218)	(13,778)	(205,831)
Net decrease in foreign exchanges assets	1,563	3,593	15,913
Net (decrease) increase in foreign exchanges liabilities	(45)	50	(458)
Interest received (cash basis)	69,778	75,501	710,358
Interest paid (cash basis)	(9,729)	(11,377)	(99,052)
Other	(4,230)	691	(43,069)
Subtotal	(44,984)	(49,418)	(457,955)
Income taxes - paid	(9,742)	(8,766)	(99,176)
<b>Net cash used in operating activities</b>	<b>(54,727)</b>	<b>(58,185)</b>	<b>(557,131)</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of securities	(352,783)	(365,527)	(3,591,407)
Proceeds from sales of securities	181,598	310,083	1,848,712
Proceeds from redemptions of securities	226,145	122,927	2,302,203
Increase in money held in trust		(7)	
Decrease in money held in trust	2,506	2,110	25,518
Purchases of tangible fixed assets	(3,620)	(8,815)	(36,854)
Proceeds from sales of tangible fixed assets	0	347	0
Purchases of intangible fixed assets	(851)	(2,557)	(8,668)
<b>Net cash provided by investing activities</b>	<b>52,995</b>	<b>58,561</b>	<b>539,503</b>
<b>FINANCING ACTIVITIES:</b>			
Borrowing of subordinated loans	20,000		203,603
Repayment of subordinated loans		(6,000)	
Dividends paid	(1,585)	(1,586)	(16,136)
Dividends paid to minority interests	(602)	(602)	(6,135)
Purchase of treasury stock	(174)	(174)	(1,779)
Proceeds from sales of treasury stock	37	35	376
<b>Net cash (provided by) used in financing activities</b>	<b>17,674</b>	<b>(8,327)</b>	<b>179,929</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>(5)</b>	<b>(33)</b>	<b>(51)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,937</b>	<b>(7,984)</b>	<b>162,250</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>40,435</b>	<b>48,420</b>	<b>411,640</b>
<b>Cash and cash equivalents, end of year (Note 3)</b>	<b>¥ 56,373</b>	<b>¥ 40,435</b>	<b>\$ 573,890</b>

See Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2009 and 2008

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (“the Bank”) and its subsidiaries (together “the Group”) in accordance with the provisions set forth in the Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in yen of respective accounts included in the

accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥98.23 to U.S.\$1, the rate of exchange at March 31, 2009 has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

Certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of Consolidation

The accompanying consolidated financial statements for the years ended March 31, 2009 and 2008 include the accounts of the Bank and the 11 and 12 consolidated subsidiaries, respectively.

The consolidated subsidiaries’ fiscal period is also from April 1 to March 31.

Assets and liabilities of the consolidated subsidiaries at the time of investment are all valued at fair value. The goodwill or negative goodwill is amortized evenly over a five-year period. The Bank has three other non-consolidated subsidiaries, in which investments are not accounted for by equity method, because their net income (the portion corresponding to the Bank’s equity) and retained earnings (as above) have no material impact on the Bank’s financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

#### (b) Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

#### (c) Trading securities

Trading securities held by the Bank are stated at market value at the fiscal year-end (cost of sales, in principle, is computed by the moving-average method).

#### (d) Investment Securities

i. Marketable securities held for trading purposes are stated at market value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available for sale for which current value can be estimated are stated at market value at fiscal year-end. Securities available for sale of which current value cannot be estimated are stated at cost or amortized cost using the moving-average method. Valuation gains/losses on

securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at market value at fiscal year-end.

iii. Beneficiary rights included in ‘call loans and bills bought’ are stated using the same methods described in (i) above.

(Additional information on market value of securities available-for-sale)

The fair value of floating rate Japanese government bonds were previously measured at their market prices. However, after consideration of the recent market environment, a judgement has been made by management that current market prices are not indicative of fair value. At the end of this fiscal year, the fair values of these bonds were determined based on the values reasonably estimated by a broker dealer. The effect of the decision was to increase investment securities by ¥7,086 million (\$7,138 thousand), to decrease deferred tax assets by ¥2,864 million (\$29,165 thousand) and to increase net unrealized gains on available-for-sale securities by ¥4,221 million (\$42,972 thousand) compared to the valuation based on the market price as of March 31, 2009.

As the rationally calculated amounts cannot be estimated by the Bank, those are obtained from a broker dealer.

It is difficult for the Bank to reasonably estimate fair values of the floating rate Japanese government bonds by itself. Accordingly, the Bank employs theoretical floating rate Japanese government bonds prices based on values reasonably estimated by a securities broker for the determination of fair values of the floating rate Japanese government bonds. The simulation model used for the calculation of reasonably estimated fair values and the price decision variables are summarized below.

i. Simulation model

The model enables the calculation of present values of the floating rate Japanese government bonds based on future cash flows. Future cash flows, in turn, are estimated using an interest fluctuation model, which is primarily based on discount rates that are compatible with price movements of the government bonds and dispersion of interest rates that are consistent with the implied volatility of swaptions.

ii. Price decision variables

The principal price decision variables are yields on and prices of Japan's treasury bills, and the government bonds with maturities of 10 years, 20 years, and 30 years. Swaption volatility is calculated on the assumption of maturities from 1 month to 10 years and swap periods ranging from 1 to 10 years.

**(e) Derivatives and Hedging Activities**

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless derivatives are used for hedging purposes.

i. Interest rate risk hedge

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities. The Bank assesses the effectiveness of the hedges in offsetting the fluctuations of fair value caused by changes in interest rates by grouping the hedged items, such as deposits and loans, and the hedging instruments, such as interest rate swaps, by their maturity. As to cash flow fixing hedges, the Bank assesses their effectiveness by verifying the correlation between the hedged items and the hedging instruments.

ii. Currency exchange risk hedge

As for the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

The Bank assesses the effectiveness of exchange swaps executed for reducing the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

In addition to these hedge accounting methods, the Bank uses exceptional treatments permitted for interest rate swaps for part of its assets.

**(f) Bills Discounted**

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to

sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2009 and 2008 were ¥23,485 million (\$239,085 thousand) and ¥31,877 million, respectively.

**(g) Tangible Fixed Assets (except for lease assets)**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998, excluding fittings and equipment, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥4,144 million (\$42,189 thousand) at March 31, 2009 and 2008.

**(h) Long-lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment loss is directly deducted from the respective fixed assets.

**(i) Intangible fixed assets (except for lease assets)**

Depreciation for intangible fixed assets is computed under the straight-line method. Development cost for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of 5 years.

**(j) Lease Assets**

Lease assets in "Tangible fixed assets" or "Intangible fixed assets" of the finance leases other than those that were deemed to transfer the ownership of leased property to the lessee is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

**(k) Allowance for Possible Loan Losses**

Allowance for possible loan losses and other credits of the Bank is provided as detailed below, pursuant to internal rules for write-offs and an allowance.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees. For other loans, an allowance is provided based on historical loan loss experience over a certain period of time.

All loans are assessed by the branches and the operating divisions based on the Bank's internal rules for self-assessment of assets. The Asset Assessment Division, which is independent from the branches and the operating divisions, subsequently conducts audits of their assessments, and an allowance is provided based on audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, that is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥26,142 million (\$266,139 thousand), ¥20,596 million as of March 31, 2009 and 2008, respectively.

Allowance for possible loan losses and other credits of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectibility of specific claims.

**(l) Allowance for Possible Losses on Investment Securities**

Allowance for possible losses on investment securities is provided for possible future losses on securities based on self-assessment by the Bank.

**(m) Liability for Employees' Retirement Benefits**

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. They may grant additional benefits in cases where certain requirements are met when employees retire. In addition, the Bank contributed some of its marketable equity securities to employee retirement benefit trusts.

The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

**(n) Liability for Retirement of Directors and Corporate Auditors**

Liability for retirement of directors and corporate auditors are provided at the amount required if all of them retired

at fiscal year-end, calculated based on the internal rules of the Group.

**(o) Liability for Reimbursement of Deposits**

Liability for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience.

**(p) Allowance for Repayment of Excess Interest**

Allowance for repayment of excess interest is provided at the estimated amount based on payment experience, required to refund upon customers' claims.

**(q) Foreign Currency Transactions**

Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

**(r) Accounting for Lease**

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," and ASBJ Practical Solutions Report No.16, "Practical Solutions for the Accounting standard for Lease Transactions" which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

**i. As Lessee**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change to consolidated financial statements was nil.

**ii. As Lessor**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective April 1, 2008. The effect of this change was to decrease total income by ¥1,063 million (\$ 10,822 thousand), total expenses by ¥2,188 million (\$22,283 thousand), and loss before income taxes and minority interests by ¥931 million (\$9,487 thousand), which included a cumulative effect of ¥193 million (\$1,974 thousand) at March 31, 2008. The cumulative effect was included in other expenses in the 2009 consolidated statements of operations.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Income from sales of lease receivables	¥ 701	\$ 7,140
Valuation loss of supplies in lease	(895)	(9,114)
Net loss	¥(193)	\$(1,974)

### (s) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax acts to the temporary differences.

### (t) Appropriations of Retained Earnings

Consolidated Statements of Net Assets reflect the appropriation resolved by the Shareholders' Meeting when duly resolved and paid.

### (u) Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because no dilutive securities are outstanding.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

### (v) New Accounting Pronouncements

**Business Combinations** — On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Asset Retirement Obligations** — On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### 3. CASH AND CASH EQUIVALENTS

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash and due from banks	¥56,807	¥42,211	\$578,315
Time deposits due from banks	(166)	(1,350)	(1,690)
Other due from banks	(268)	(425)	(2,734)
<b>Cash and cash equivalents</b>	<b>¥56,373</b>	<b>¥40,435</b>	<b>\$573,890</b>

### 4. INVESTMENT SECURITIES

Investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Japanese government bonds	¥ 347,268	¥ 351,024	\$ 3,535,260
Japanese local government bonds	157,507	125,934	1,603,453
Japanese corporate bonds	261,438	258,280	2,661,494
Corporate stocks	102,082	156,332	1,039,224
Other securities	245,514	333,559	2,499,385
<b>Total</b>	<b>¥1,113,812</b>	<b>¥1,225,131</b>	<b>\$11,338,818</b>

### 5. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Bills discounted	¥ 23,147	¥ 31,521	\$ 235,646
Loans on bills	159,971	187,934	1,628,539
Loans on deeds	2,094,112	1,952,364	21,318,463
Overdrafts	433,717	379,548	4,415,322
<b>Total</b>	<b>¥2,710,948</b>	<b>¥2,551,368</b>	<b>\$27,597,971</b>

Loans in legal bankruptcy totaled ¥6,148 million (\$62,592 thousand) and ¥1,631 million as of March 31, 2009 and 2008, respectively. Nonaccrual loans totaled ¥40,005 million (\$407,265 thousand) and ¥40,050 million as of March 31, 2009 and 2008, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts), based on management’s judgement as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥2,355 million (\$23,984 thousand) and ¥1,876 million as of March 31, 2009 and 2008, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥12,234 million (\$124,546 thousand) and ¥38,529 million as of March 31, 2009 and 2008, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from the financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded.

## 6. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Assets:</b>			
Due from foreign correspondents	¥2,608	¥4,184	\$26,553
Foreign bills of exchange purchased	63	90	647
Foreign bills of exchange receivable	631	591	6,432
<b>Total</b>	<b>¥3,303</b>	<b>¥ 4,866</b>	<b>\$33,632</b>
<b>Liabilities:</b>			
Foreign bills of exchange sold	¥ 63	¥ 106	\$ 649
Accrued foreign bills of exchange	5	8	56
<b>Total</b>	<b>¥ 69</b>	<b>¥ 114</b>	<b>\$ 705</b>

## 7. OTHER ASSETS

Other assets at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Prepaid expenses	¥ 61	¥ 54	\$ 627
Accrued income	5,343	5,569	54,401
Derivatives	9,867	8,867	100,451
Other (Note 10)	38,492	38,705	391,864
<b>Total</b>	<b>¥53,765</b>	<b>¥53,196</b>	<b>\$547,344</b>

## 8. TANGIBLE FIXED ASSETS

Tangible fixed assets at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Buildings	¥14,577	¥12,900	\$148,397
Land	40,347	41,149	410,740
Construction in progress	459	982	4,678
Other	4,502	17,727	45,831
<b>Total</b>	<b>¥59,885</b>	<b>¥72,759</b>	<b>\$609,646</b>

Accumulated depreciation on tangible fixed assets at March 31, 2009 and 2008 amounted to ¥44,083 million (\$448,782 thousand) and ¥75,017 million, respectively.

## 9. LONG-LIVED ASSETS

The Group recognized impairment losses for the year ended March 31, 2009 and 2008 as follows:

The Bank groups assets by branch, which are the minimum unit for management accounting. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts, and recognized impairment losses of ¥1,080 million (\$10,999 thousand) and ¥2,010 million for the years ended March 31, 2009 and 2008, respectively, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of these assets were measured at their net realizable selling prices, which were determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment Losses		
			Millions of yen		Thousands of U.S. dollars (Note 1)
			2009	2008	2009
Shiga Prefecture	Branch offices and other	Land, buildings and equipment	¥ 288	¥ 26	\$ 2,932
Other	Branch offices and other	Land, buildings and equipment	792	1,984	8,066
<b>Total</b>			<b>¥1,080</b>	<b>¥2,010</b>	<b>\$10,999</b>

Impairment losses are included in other expenses (Note 21).

## 10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Investment securities	¥140,709	¥133,950	\$1,432,445
Other assets (investments in lease)	2,801		28,514
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Related liabilities			
Deposits	¥ 12,742	¥ 14,346	\$ 129,722
Call money		6,000	
Payables under securities lending transactions	4,116	24,335	41,911
Borrowed money	3,010		30,642
Other liabilities		60	

In addition, investment securities totaling ¥65,460 million (\$666,400 thousand) and ¥67,225 million at March 31, 2009 and 2008, respectively were pledged as collateral for settlement of exchange and as securities for futures transactions and others.

Other assets (Note 7) include guarantee deposits of ¥921 million (\$9,385 thousand) and ¥925 million at March 31, 2009 and 2008, respectively.

## 11. OVERDRAFTS AND COMMITMENT LINES

Overdraft agreements and commitment line agreements are agreements that oblige the Bank to lend funds up to a certain limit agreed in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2009 and 2008 amounted to ¥769,249 million (\$7,831,101 thousand) and ¥828,801 million, respectively, and the amounts of unused commitments, whose original contract terms are within one year or unconditionally cancelable at any time, were ¥751,541 million (\$7,650,832 thousand) and ¥812,326 million at March 31, 2009 and 2008, respectively. In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Bank's established internal procedures, confirming the obligor's financial condition etc. at regular intervals.

## 12. LAND REVALUATION

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on consolidated statement of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2009 and 2008, the carrying amount of the land after the above one-time revaluation was more than the market value by ¥16,742 million (\$170,443 thousand) and ¥17,607 million, respectively.

### Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

## 13. DEPOSITS

Deposits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current deposits	¥ 113,404	¥ 115,916	\$ 1,154,478
Ordinary deposits	1,398,684	1,393,309	14,238,867
Deposits at notice	12,790	14,697	130,208
Time deposits	2,029,130	1,949,502	20,656,931
Other deposits	100,771	121,624	1,025,877
<b>Total</b>	<b>¥3,654,781</b>	<b>¥3,595,050</b>	<b>\$37,206,363</b>

## 14. BORROWED MONEY

At March 31, 2009 and 2008, the weighted average interest rates applicable to the borrowed money were 1.92% and 1.82%, respectively.

Borrowed money at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Subordinated loans	¥28,000	¥ 8,000	\$285,045
Borrowing from banks and other	17,527	8,305	178,429
<b>Total</b>	<b>¥45,527</b>	<b>¥16,305</b>	<b>\$463,474</b>

Annual maturities of borrowed money at March 31, 2009, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥12,083	\$123,015
2011	2,134	21,732
2012	1,750	17,824
2013	1,187	12,083
2014	370	3,772
2015 and thereafter	28,000	285,045
<b>Total</b>	<b>¥45,527</b>	<b>\$463,474</b>

## 15. OTHER LIABILITIES

Other liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Accrued income taxes	¥ 582	¥ 9,329	\$ 5,934
Accrued expenses	9,711	8,012	98,868
Unearned income	5,052	4,638	51,439
Derivatives	1,857	1,603	18,909
Other	16,399	36,090	166,947
<b>Total</b>	<b>¥33,604</b>	<b>¥59,675</b>	<b>\$342,100</b>

## 16. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees," is shown as an asset representing the Bank's right of indemnity from the applicants.

The amounts "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," amounting to ¥9,897 million (\$100,753 thousand) and ¥10,341 million as of March 31, 2009 and 2008, were set off because which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

## 17. EQUITY

### (1) Capital Stock and Capital Surplus

Changes in the number of common shares of the years ended March 31, 2009 and 2008, consisted of the following:

	Thousands
	Common stock Issued number of shares
Year ended March 31, 2009	
Beginning of the year	265,450
Increase	
Decrease	
End of the year	265,450
Year ended March 31, 2008	
Beginning of the year	265,450
Increase	
Decrease	
End of the year	265,450

### (2) Companies Act and Banking Act of Japan

Through May 1, 2006, Japanese banks were subject to the Commercial Code of Japan (the "Code") and the Banking Act of Japan (the "Banking Act").

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the "Companies Act"), which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Companies Act that affect financial and accounting matters are summarized below:

#### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

### (3) Appropriations of Retained Earnings

On June 25, 2009, the Bank's general stockholders' meeting will approve the payments of cash dividends to stockholders of record at March 31, 2009 of ¥3.00 (\$0.030) per share or a total of ¥792 million (\$8,063 thousand).

## 18. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Gains on foreign exchange transactions-net	¥ 692	¥ 444	\$ 7,049
Gains on sales of bonds	1,424	5,191	14,504
Other	8,181	8,423	83,286
<b>Total</b>	<b>¥10,298</b>	<b>¥14,059</b>	<b>\$104,840</b>

## 19. OTHER INCOME

Other income for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Gains on sales of securities	¥ 904	¥11,952	\$ 9,204
Recovery of claims previously charged-off	1,300	1,408	13,237
Other	1,184	1,786	12,063
<b>Total</b>	<b>¥3,389</b>	<b>¥15,147</b>	<b>\$34,504</b>

## 20. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Losses on sales of government bonds	¥ 424	¥ 1,053	\$ 4,316
Losses on redemption of bonds	2,309	886	23,506
Losses on write-down of bonds and other securities	5,458	6,272	55,565
Losses on financial derivatives	1,147	2,913	11,686
Other	6,040	7,937	61,493
<b>Total</b>	<b>¥15,379</b>	<b>¥19,064</b>	<b>\$156,568</b>

## 21. OTHER EXPENSES

Other expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Provision of allowance for possible loan losses	¥ 8,560	¥11,998	\$ 87,147
Write-off of loans and bills discounted	5,192	3,292	52,862
Losses on impairment of long-lived assets (Note 9)	1,080	2,010	10,999
Valuation loss of investment in stocks	13,577	783	138,220
Net loss on adjustment for changes of accounting standard (Note 2 (r) ii)	193		1,974
Other	3,486	2,539	35,462
<b>Total</b>	<b>¥32,088</b>	<b>¥20,623</b>	<b>\$326,664</b>

## 22. LEASES

### Lessee

The Group leases certain equipment. Total rental expense under the finance leases for the years ended March 31, 2009 and 2008, was ¥7 million (\$76 thousand) and ¥8 million, respectively.

Finance lease transactions which commenced prior to April 1, 2008 are accounted for based on the former accounting standard.

Pro forma Information of leased property such as acquisition cost, accumulated depreciation, obligations, under financial lease, depreciation expense and interest expense under finance leases that do not transfer ownership of the leased property to the lessee on a 'as if capitalized' basis for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Acquisition cost	¥51	¥60
Accumulated depreciation	(31)	(26)
<b>Net leased property</b>	<b>¥19</b>	<b>¥33</b>

	Thousands of U.S. dollars (Note 1)
	2009
Acquisition cost	\$519
Accumulated depreciation	(321)
<b>Net leased property</b>	<b>\$198</b>

Obligations under finance leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥ 6	¥ 7	\$ 69
Due after one year	12	26	128
<b>Total</b>	<b>¥19</b>	<b>¥33</b>	<b>\$198</b>

The amounts of acquisition cost and obligations include the imputed interest expense portion.

Lease payments and depreciation expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Lease payments	¥7	¥8	\$76
Depreciation expense	7	8	76

#### Lessor

One subsidiary leases certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those of which ownership is fully transferred to the lessee are accounted for in the similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in lease included in other assets on the balance sheets as of March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Gross lease receivables	¥15,988	\$162,763
Unguaranteed residual values	781	7,954
Unearned interest income	(4,171)	(42,467)
Investments in lease	¥12,596	\$128,239

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥6	\$62
2011	3	39
2012	2	29
2013	1	14
2014	0	0
2015 and thereafter		

Maturities of gross lease receivables related to investments in lease are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥4,767	\$48,536
2011	4,162	42,374
2012	3,295	33,553
2013	2,264	23,056
2014	1,097	11,170
2015 and thereafter	400	4,073

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the book value of leased assets as of March 31, 2008.

As a result, loss before income taxes and minority interests for the fiscal year ended March 31, 2009 was increased by ¥2,145 million (\$21,841 thousand) more than it would have been if the revised accounting standard was applied retroactively to all the finance lease transactions.

Pro forma information of leased property such as acquisition cost accumulated depreciation, lessor's receivables under finance leases, depreciation expense and interest income for finance leases for the year ended March 31, 2008 was as follows:

	Millions of yen		
	Equipment	Other Assets	Total
Acquisition cost	¥22,528	¥6,098	¥28,627
Accumulated depreciation	(10,105)	(3,021)	(13,127)
<b>Net leased property</b>	<b>¥12,422</b>	<b>¥3,077</b>	<b>¥15,499</b>

Lessor's receivables under finance leases as of March 31, 2008 was as follows:

	Millions of yen 2008
Due within one year	¥ 4,896
Due after one year	11,243
<b>Total</b>	<b>¥16,139</b>

The imputed interest income portion which is computed using the interest method is excluded from the above lessor's receivables under finance leases.

Depreciation expense and interest income under finance leases:

	Millions of yen 2008
Depreciation expense	¥5,216
Interest income	816
<b>Total</b>	<b>¥6,033</b>

The minimum rental commitments under noncancelable operating leases as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥1	¥1	\$15
Due after one year	4	5	41
<b>Total</b>	<b>¥5</b>	<b>¥7</b>	<b>\$57</b>

### 23. EMPLOYEES' RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries have unfunded lump-sum severance payment plans.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Projected benefit obligation	¥(40,590)	¥(39,819)	\$(413,220)
Plan assets (fair value)	19,774	23,076	201,306
Unfunded projected benefit obligation	(20,816)	(16,743)	(211,913)
Unrecognized actuarial net loss	11,924	8,861	121,391
Unrecognized prior service cost	(86)	(103)	(883)
<b>Liability for employees' retirement benefits</b>	<b>¥ (8,978)</b>	<b>¥ (7,984)</b>	<b>\$ (91,405)</b>

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Service cost	¥1,522	¥1,487	\$15,503
Interest cost	795	795	8,094
Expected return on plan assets	(306)	(324)	(3,119)
Amortization of prior service cost	(16)	(16)	(165)
Recognized actuarial net loss	1,952	1,596	19,880
<b>Net periodic retirements benefit costs</b>	<b>¥3,948</b>	<b>¥3,539</b>	<b>\$40,192</b>

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain or loss	10 years	10 years

## 24. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Deferred tax assets:			
Allowance for possible loan losses	¥16,647	¥ 15,635	\$169,471
Liability for employees' retirement benefits	5,970	5,528	60,777
Accrued enterprise tax		701	
Devaluation of stocks and other securities	12,457	7,297	126,816
Depreciation	1,642	953	16,724
Tax loss carryforwards	1,607	72	16,362
Other	3,952	3,256	40,235
Less valuation allowance	(13,335)	(7,676)	(135,759)
<b>Total</b>	<b>¥28,941</b>	<b>¥ 25,769</b>	<b>\$294,628</b>
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(4,030)	(17,114)	(41,029)
Enterprise tax refundable	(417)		(4,251)
Reserve for advanced depreciation of fixed assets	(208)	(208)	(2,125)
Other	(152)		(7,934)
<b>Total</b>	<b>¥ (4,809)</b>	<b>¥(17,323)</b>	<b>\$ (48,964)</b>
<b>Net deferred tax assets</b>	<b>¥24,131</b>	<b>¥ 8,446</b>	<b>\$245,664</b>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.4%	40.4%
Permanent differences - income	3.1	(4.3)
Permanent differences - expenses	(0.4)	0.8
Corporate inhabitant tax per capita	(0.4)	0.6
Increase in valuation allowance for deferred tax assets	(32.7)	26.6
IT investment tax credit		(0.6)
Other	1.9	(2.9)
<b>Actual effective tax rate</b>	<b>11.9%</b>	<b>60.6%</b>

## 25. MARKET VALUE AND OTHER INFORMATION ON SECURITIES

Market value and other information on securities at March 31, 2009 and 2008 were as follows:

### Securities

#### (1) Trading securities

	Millions of yen			
	2009		2008	
	Consolidated Balance Sheet Amount	Losses Included in Profit/(Loss) during the Fiscal Year	Consolidated Balance Sheet Amount	Losses Included in Profit/(Loss) during the Fiscal Year
Trading securities	¥5,579	¥(128)	¥10,330	¥(541)

	Thousands of U.S. dollars (Note 1)	
	2009	
	Consolidated Balance Sheet Amount	Losses Included in Profit/(Loss) during the Fiscal Year
Trading securities	\$56,795	\$(1,303)

**(2) No bonds classified as held-to-maturity securities that have market value were held by the Group.**

**(3) Available-for-sale securities that have market value**

	Millions of yen									
	2009					2008				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	¥ 73,697	¥ 98,701	¥25,004	¥27,074	¥ (2,070)	¥ 92,496	¥ 153,152	¥60,655	¥67,089	¥ (6,434)
Bonds:	753,882	756,063	2,181	4,543	(2,362)	727,934	724,583	(3,350)	3,698	(7,049)
Japanese government bonds	344,919	347,268	2,349	2,646	(296)	356,711	351,024	(5,687)	842	(6,529)
Japanese local government bonds	156,894	157,507	612	789	(177)	124,551	125,934	1,382	1,459	(77)
Japanese corporate bonds	252,068	251,287	(780)	1,107	(1,888)	246,671	247,625	954	1,396	(442)
Other	262,327	247,971	(14,356)	891	(15,248)	343,431	332,236	(11,195)	559	(11,754)
<b>Total</b>	<b>¥1,089,907</b>	<b>¥1,102,736</b>	<b>¥12,829</b>	<b>¥32,509</b>	<b>¥(19,680)</b>	<b>¥1,163,862</b>	<b>¥1,209,972</b>	<b>¥46,109</b>	<b>¥71,347</b>	<b>¥(25,238)</b>

	Thousands of U.S. dollars (Note 1)				
	2009				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	\$ 750,253	\$ 1,004,800	\$254,547	\$275,622	\$ (21,075)
Bonds:	7,674,655	7,696,872	22,206	46,255	(24,049)
Japanese government bonds	3,511,342	3,535,260	23,918	26,940	(3,022)
Japanese local government bonds	1,597,217	1,603,453	6,236	8,041	(1,805)
Japanese corporate bonds	2,566,106	2,558,158	(7,947)	11,273	(19,221)
Other	2,670,546	2,524,396	(146,150)	9,078	(155,228)
<b>Total</b>	<b>\$11,095,466</b>	<b>\$11,226,069</b>	<b>\$130,603</b>	<b>\$330,956</b>	<b>\$(200,353)</b>

Notes: 1. Market value is calculated by using the market prices at the fiscal year end for bonds and other except that of stocks which is calculated by average market prices for previous month of the fiscal year end.

2. For available-for-sale securities with market quotations, in cases where the market value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery to the acquisition cost level, said securities are shown on the balance sheets at market value and the difference between the market value and the acquisition cost is posted as a loss (hereinafter "impairment loss").

Impairment losses for the reporting term amounted to ¥18,975 million (\$193,174 thousand), of which equities accounted for ¥13,517 million (\$137,608 thousand) and others for ¥5,458 million (\$55,565 thousand). The corresponding amounts for the previous term were ¥6,869 million, ¥597 million and ¥6,272 million.

The Bank recognized impairment losses on available-for-sale securities whose market value on the balance sheet date had declined by 50% or more compared with the acquisition cost, and also recognized losses on securities whose market value had declined by 30% or more, taking into consideration price movements of the securities in question, and the business performance and creditworthiness of the companies that issued the said securities.

**(4) Bonds classified as held-to-maturity were not sold.**

**(5) Available-for-sale securities sold**

	Millions of yen					
	2009			2008		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sales securities	¥124,999	¥2,324	¥1,693	¥320,071	¥17,135	¥13

	Thousands of U.S. dollars (Note 1)		
	2009		
	Sales Amount	Gains on sales	Losses on Sales
Available-for-sale securities	\$1,272,514	\$23,660	\$17,239

**(6) Securities with no readily available market value**

	Consolidated Balance Sheet Amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Available-for-sale securities:			
Non-listed corporate bonds	¥10,150	¥10,654	\$103,336
Non-listed stocks	3,381	3,180	34,423

**(7) The classification of securities has not been changed.**

**(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity was as follows:**

	Millions of yen							
	2009				2008			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds:	¥76,742	¥310,858	¥324,559	¥54,054	¥129,065	¥342,584	¥210,346	¥ 53,242
Japanese government bonds	36,705	98,954	182,894	28,713	71,026	127,527	125,829	26,641
Japanese local government bonds	12,792	61,186	83,528		11,760	67,148	47,024	
Japanese corporate bonds	27,244	150,717	58,135	25,340	46,278	147,908	37,492	26,600
Other	3,773	129,832	68,417	41,044	10,097	127,173	111,288	46,787
<b>Total</b>	<b>¥80,515</b>	<b>¥440,691</b>	<b>¥392,977</b>	<b>¥95,098</b>	<b>¥139,162</b>	<b>¥469,757</b>	<b>¥321,634</b>	<b>¥100,029</b>

	Thousands of U.S. dollars (Note1)			
	2009			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds:	\$781,249	\$3,164,598	\$3,304,075	\$550,284
Japanese government bonds	373,670	1,007,379	1,861,901	292,309
Japanese local government bonds	130,226	622,886	850,340	
Japanese corporate bonds	277,352	1,534,332	591,834	257,975
Other	38,416	1,321,722	696,506	417,838
<b>Total</b>	<b>\$819,665</b>	<b>\$4,486,321</b>	<b>\$4,000,582</b>	<b>\$968,123</b>

**Money held in trust**

**(1) Money held in trust classified as trading**

	Millions of yen			
	2009		2008	
	Consolidated Balance Sheet Amount	Gains Included in Profit/(Loss) during the Fiscal Year	Consolidated Balance Sheet Amount	Gains Included in Profit/(Loss) during the Fiscal Year
Money held in trust classified as trading	¥8,488	¥(457)	¥10,858	¥68

	Thousands of U.S. dollars (Note 1)	
	2009	
	Consolidated Balance Sheet Amount	Gains Included in Profit/(Loss) during the Fiscal Year
Money held in trust classified as trading	\$86,410	\$(4,656)

(2) No money held in trust was classified as held-to-maturity.

(3) Other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity)

	Millions of yen									
	2009					2008				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Money held in trust	¥900	¥891	¥(8)		¥(8)	¥1,114	¥1,106	¥(7)		¥(7)

	Thousands of U.S. dollars (Note 1)				
	2009				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Money held in trust	\$9,162	\$9,077	\$(84)		\$(84)

#### Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Consolidated Balance Sheet Amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net unrealized gains on investment securities	¥12,829	¥46,109	\$130,603
Other money held in trust	(8)	(7)	(84)
Deferred tax liabilities	(4,030)	(17,114)	(41,029)
Minority interests	(8)	(46)	(84)
Net unrealized gains on available-for-sale securities	¥ 8,782	¥28,940	\$ 89,404

## 26. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies, which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

### (1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2009 and 2008 are excluded from disclosure because all the interest-rate-related transactions entered into by the Bank qualified for hedge-accounting.

## (2) Currency-related transactions

Market value information on revalued currency-related derivatives as of March 31, 2009 and 2008 were as follows:

	Millions of yen							
	2009				2008			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Currency swap:	<b>¥265,170</b>	<b>¥233,113</b>	<b>¥8,113</b>	<b>¥8,113</b>	¥259,270	¥235,396	¥7,129	¥7,129
Forward exchange contracts:								
Sold	<b>3,326</b>		<b>(61)</b>	<b>(61)</b>	7,257		400	400
Bought	<b>2,712</b>		<b>108</b>	<b>108</b>	6,598		(288)	(288)
Currency options:								
Sold	<b>21,730</b>	<b>16,843</b>	<b>(881)</b>	<b>119</b>	3,226	1,502	(76)	(5)
Bought	<b>21,730</b>	<b>16,843</b>	<b>881</b>	<b>78</b>	3,226	1,502	76	32
<b>Total</b>			<b>¥8,160</b>	<b>¥8,358</b>			<b>¥7,242</b>	<b>¥7,268</b>

	Thousands of U.S. dollars (Note 1)			
	2009			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Currency swap:	<b>\$2,699,485</b>	<b>\$2,373,134</b>	<b>\$82,595</b>	<b>\$82,595</b>
Forward exchange contracts:				
Sold	<b>33,866</b>		<b>(624)</b>	<b>(624)</b>
Bought	<b>27,611</b>		<b>1,100</b>	<b>1,100</b>
Currency options:				
Sold	<b>221,216</b>	<b>171,474</b>	<b>(8,977)</b>	<b>1,218</b>
Bought	<b>221,216</b>	<b>171,474</b>	<b>8,977</b>	<b>802</b>
<b>Total</b>			<b>\$83,071</b>	<b>\$85,092</b>

Notes: 1. The above transactions were revalued at the end of each of the years and the related gain and loss are reflected in the accompanying consolidated statements of operations.

2. Derivative transactions under hedge accounting, transactions reflected in financial assets and liabilities denominated in currencies and recognized in the consolidated balance sheets, or transactions denominated in foreign currencies which have been eliminated in the consolidation have been excluded from the above table.

**(3) Stock-related transactions are not performed.**

**(4) Bond-related transactions are not performed.**

**(5) Financial product-related transactions are not performed.**

**(6) Credit derivative transactions are not performed.**

## 27. RELATED PARTY TRANSACTIONS

The Bank and related party transactions for the years ended March 31, 2009 and 2008 were as follows:

Related party	Category	Description of transactions	Millions of yen		Thousands of U.S. dollars (Note 1)
			2009	2008	2009
			Yoshihisa Fujita	Director or relative	Lending operation loan
Nishikawa Sangyo Co., Ltd.	Companies, majority held by auditor or relative	Lending operation loan	1,310	1,220	13,336
Nishikawa Living Co., Ltd.	Companies, majority held by auditor or relative	Lending operation loan	1,183	1,337	12,046
		Customer's liabilities for acceptances and guarantees	59	80	603

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2009 was as follows:

Related party	Category	Description of transactions	Millions of yen	Thousands of U.S. dollars (Note 1)
			2009	2009
Nishikawa Living Co., Ltd.	Companies, majority held by auditor or relative	Receiving lease payments	¥148	\$1,511

## 28. NET INCOME PER SHARE

Calculation of net income per share ("EPS") for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen	Thousands of Shares	yen	U.S. dollars (Note 1)
	Net Income (loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2009				
Basic EPS				
Net income available to common stockholders	¥(16,218)	264,138	¥(61.40)	\$(0.625)
For the year ended March 31, 2008				
Basic EPS				
Net income available to common stockholders	¥ 3,597	264,318	¥ 13.60	\$ 0.138

## 29. SEGMENT INFORMATION

### i) Business Segment Information

Information about industry segments of the Group as of and for the years ended March 31, 2009 and 2008 are as follows:

#### a. Operating Income

	Millions of yen					Eliminations/ Corporate	Consolidated
	2009						
	Banking	Leasing	Other	Total			
Operating income:							
Outside customers	¥ 84,670	¥7,431	¥2,700	¥ 94,802		¥ 94,802	
Intersegment income	343	840	2,135	3,319	¥(3,319)		
Total	85,013	8,272	4,836	98,122	(3,319)	94,802	
Operating expenses	103,896	7,056	4,277	115,230	(3,354)	111,876	
<b>Net operating income (loss)</b>	<b>¥ (18,882)</b>	<b>¥1,215</b>	<b>¥ 559</b>	<b>¥ (17,107)</b>	<b>¥ 34</b>	<b>¥ (17,073)</b>	

#### b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of yen					Eliminations/ Corporate	Consolidated
	2009						
	Banking	Leasing	Other	Total			
Total assets	¥4,107,786	¥41,305	¥13,343	¥4,162,435	¥(39,409)	¥4,123,026	
Depreciation	5,215	27	27	5,271		5,271	
Impairment loss	1,080			1,080		1,080	
Capital expenditures	4,375	56	17	4,449		4,449	

a. Operating Income

	Millions of yen					
	2008					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	¥104,008	¥8,141	¥2,701	¥114,850		¥114,850
Intersegment income	395	839	2,083	3,318	¥(3,318)	
Total	104,403	8,980	4,785	118,168	(3,318)	114,850
Operating expenses	94,281	8,656	4,242	107,181	(3,212)	103,969
<b>Net operating income</b>	<b>¥ 10,121</b>	<b>¥ 323</b>	<b>¥ 542</b>	<b>¥ 10,987</b>	<b>¥ (105)</b>	<b>¥ 10,881</b>

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of yen					
	2008					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	¥4,098,457	¥41,665	¥13,173	¥4,153,296	¥(38,186)	¥4,115,109
Depreciation	4,010	5,660	30	9,701		9,701
Impairment loss	2,010			2,010		2,010
Capital expenditures	5,390	5,952	11	11,354		11,354

a. Operating Income

	Thousands of U.S. dollars (Note 1)					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	\$ 861,959	\$75,656	\$27,496	\$ 965,112		\$ 965,112
Intersegment income	3,492	8,557	21,744	33,794	\$(33,794)	
Total	865,451	84,214	49,240	998,907	(33,794)	965,112
Operating expenses	1,057,681	71,838	43,547	1,173,067	(34,146)	1,138,921
<b>Net operating income (loss)</b>	<b>\$ (192,229)</b>	<b>\$12,376</b>	<b>\$ 5,693</b>	<b>\$ (174,160)</b>	<b>\$ 351</b>	<b>\$ (173,809)</b>

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. dollars (Note 1)					
	2009					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	\$41,818,047	\$420,498	\$135,836	\$42,374,382	\$(401,194)	\$41,973,187
Depreciation	53,096	280	285	53,661		53,661
Impairment loss	10,999			10,999		10,999
Capital expenditures	44,543	578	178	45,300		45,300

Notes: 1. "Other" consists of other banking related activities such as credit guarantee, venture capital and entrusted account.

2. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of operations.

3. Operating expenses mean total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of operations.

ii) Segment Information by Geographic Area

Segment information by geographic area is not presented herein for the years ended March 31, 2009 and 2008, as such information is permitted not to be disclosed if domestic share of both total income and total assets exceeds 90%.

iii) Operating Income from International Operations

Disclosure of operating income arising from international operations for the years ended March 31, 2009 and 2008 are not presented herein, as such information is permitted not to be disclosed if operating income arising from international operations is less than 10% of consolidated operating income.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Shiga Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The Shiga Bank, Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shiga Bank, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Notes 2.(r) and 22, effective April 1, 2008, the consolidated financial statements have been prepared in accordance with the new accounting standards of "Accounting Standard for Lease Transactions" and "Practical Solutions for the Accounting Standard for Lease Transactions".

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 16, 2009

**NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1 to Consolidated Financial Statements)
	2009	2008	2009
<b>ASSETS</b>			
Cash and due from banks	¥ 56,760	¥ 42,163	\$ 577,830
Call loans and bills bought	76,526	125,967	779,049
Trading account securities	1,118	1,020	11,390
Money held in trust	9,379	11,951	95,488
Securities	1,113,852	1,225,169	11,339,225
Loans and bills discounted	2,718,311	2,558,984	27,672,928
Foreign exchange assets	3,303	4,866	33,632
Other assets	31,282	43,139	318,465
Tangible fixed assets	59,321	59,998	603,905
Intangible fixed assets	6,123	7,965	62,339
Deferred tax assets	23,120	7,771	235,370
Customers' liabilities for acceptances and guarantees	33,686	35,150	342,936
Reserve for possible losses on loans and other credits	(25,003)	(25,694)	(254,544)
Reserve for possible losses on securities	(1)	(0)	(13)
<b>Total assets</b>	<b>¥4,107,782</b>	<b>¥4,098,454</b>	<b>\$41,818,004</b>
<b>LIABILITIES</b>			
Deposits	¥3,771,066	¥3,699,465	\$38,390,175
Call money	196	6,200	2,001
Deposits received for bonds lending/borrowing transactions	4,116	24,335	41,911
Borrowed money	56,400	28,600	574,162
Foreign exchange liabilities	69	114	705
Other liabilities	25,550	50,230	260,106
Reserve for employee retirement and severance benefits	8,906	7,919	90,667
Reserve for retirement benefits to directors and corporate auditors	246	231	2,510
Reserve for repayment for prescribed deposits	609	661	6,209
Reserve for other contingent losses	1,132	988	11,526
Acceptances and guarantees	33,686	35,150	342,936
Deferred taxes liabilities relating to land revaluation	11,096	11,381	112,968
<b>Total liabilities</b>	<b>3,913,078</b>	<b>3,865,280</b>	<b>39,835,883</b>
<b>NET ASSETS</b>			
Common stock	33,076	33,076	336,729
Additional paid-in capital	23,950	23,951	243,817
Legal reserve	9,134	7,958	92,991
Voluntary reserves	125,840	123,840	1,281,080
Retained earnings	(15,638)	5,601	(159,206)
Treasury stock	(884)	(748)	(9,007)
<b>Total stockholders' equity</b>	<b>175,478</b>	<b>193,680</b>	<b>1,786,403</b>
Unrealized gains on securities available for sale, net of taxes (Note 23)	8,779	28,924	89,374
Deferred hedge losses, net of taxes	(2)	(4)	(21)
Excess of land revaluation, net of taxes (Note 10)	10,448	10,573	106,364
<b>Total valuation and translation adjustments</b>	<b>19,225</b>	<b>39,493</b>	<b>195,717</b>
<b>Total net assets</b>	<b>194,703</b>	<b>233,174</b>	<b>1,982,120</b>
<b>Total liabilities and net assets</b>	<b>¥4,107,782</b>	<b>¥4,098,454</b>	<b>\$41,818,004</b>

**NON-CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1 to Consolidated Financial Statements)
	2009	2008	2009
<b>INCOME</b>			
Interest income			
Interest on loans and bills discounts	¥ 52,223	¥ 52,073	\$ 531,646
Interest and dividends on securities	16,415	20,643	167,113
Other interest income	1,180	641	12,017
Total interest income	69,819	73,357	710,778
Fees and commissions	10,532	11,706	107,218
Other operating income	2,639	5,685	26,873
Other income	3,334	15,067	33,948
<b>Total income</b>	<b>86,326</b>	<b>105,817</b>	<b>878,817</b>
<b>EXPENSES</b>			
Interest expenses			
Interest on deposits	11,562	12,082	117,709
Interest on borrowings and rediscounts	887	1,375	9,030
Other interest expenses	591	1,705	6,018
Total interest expenses	13,040	15,163	132,757
Fees and commissions	4,023	4,102	40,957
Other operating expenses	9,339	11,127	95,076
General operating expenses	48,000	46,150	488,658
Other expenses	31,030	19,914	315,892
<b>Total expenses</b>	<b>105,434</b>	<b>96,458</b>	<b>1,073,342</b>
Income (loss) before income taxes	(19,108)	9,358	(194,524)
Income taxes — current	83	12,365	847
Income taxes — deferred	(2,586)	(6,307)	(26,336)
<b>Net income (loss)</b>	<b>¥ (16,604)</b>	<b>¥ 3,300</b>	<b>\$ (169,035)</b>

**NON-CONSOLIDATED STATEMENTS OF NET ASSETS (UNAUDITED)**

March 31, 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Stockholders' equity</b>			
<b>Common stock</b>			
Balance at the beginning of the year	¥ 33,076	¥ 33,076	\$ 336,729
Changes during the year:			
Net change in the year			
Balance at the end of the year	¥ 33,076	¥ 33,076	\$ 336,729
<b>Additional paid-in capital</b>			
Balance at the beginning of the year	¥ 23,951	¥ 23,946	\$ 234,826
Changes during the year:			
Sales of treasury stock	(0)	4	(9)
Net change in the year	(0)	4	(9)
Balance at the end of the year	¥ 23,950	¥ 23,951	\$ 243,817
<b>Legal reserve</b>			
Balance at the beginning of the year	¥ 7,958	¥ 7,641	\$ 81,021
Changes during the year:			
Cash dividends	158	317	1,614
Other changes	1,017	—	10,356
Total increase (decrease)	1,175	317	11,970
Balance at the end of the year	¥ 9,134	¥ 7,958	\$ 92,991
<b>Voluntary reserves</b>			
Balance at the beginning of the year	¥123,840	¥114,532	\$1,260,719
Changes during the year:			
Transfer to voluntary reserves	2,000	9,000	20,360
Net change in the year	2,000	9,000	20,360
Balance at the end of the year	¥125,840	¥123,532	\$1,281,080
<b>Retained earnings</b>			
Balance at the beginning of the year	¥ 5,601	¥ 11,083	\$ 57,022
Changes during the year:			
Cash dividends	(1,743)	(1,903)	(17,750)
Transfer to voluntary reserves	(2,000)	(9,000)	(20,360)
Net income (loss)	(16,604)	3,300	(169,035)
Reversal of land revaluation surplus	125	1,342	1,273
Other changes	(1,017)	—	(10,356)
Net change in the year	(21,240)	(5,481)	(216,229)
Balance at the end of the year	¥ (15,638)	¥ 5,601	\$ (159,206)
<b>Treasury stock</b>			
Balance at the beginning of the year	¥ (748)	¥ (604)	\$ (7,615)
Changes during the year:			
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	31	386
Net change in the year	(136)	(143)	(1,392)
Balance at the end of the year	¥ (884)	¥ (748)	\$ (9,007)
<b>Total</b>			
Balance at the beginning of the year	¥193,680	¥190,762	\$1,971,704
Changes during the year:			
Cash dividends	(1,585)	(1,586)	(16,136)
Net income (loss)	(16,604)	3,300	(169,035)
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	35	376
Reversal of land revaluation surplus	125	1,342	1,273
Net change in the year	(18,202)	2,917	(185,301)
Balance at the end of the year	¥175,478	¥193,680	\$1,786,403

**NON-CONSOLIDATED STATEMENTS OF NET ASSETS (UNAUDITED)**

March 31, 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Valuation and translation adjustments</b>			
<b>Unrealized gains on securities</b>			
Balance at the beginning of the year	¥ 28,924	¥ 57,584	\$ 294,455
Changes during the year:			
Other changes	(20,145)	(28,659)	(205,081)
Net change in the year	(20,145)	(28,659)	(205,081)
Balance at the end of the year	¥ 8,779	¥ 28,924	\$ 89,374
<b>Deferred hedge losses</b>			
Balance at the beginning of the year	¥ (4)	¥ (7)	\$ (42)
Changes during the year:			
Other changes	2	3	20
Net change in the year	2	3	20
Balance at the end of the year	¥ (2)	¥ (4)	\$ (21)
<b>Excess of land revaluation</b>			
Balance at the beginning of the year	¥ 10,573	¥ 11,915	\$ 107,637
Changes during the year:			
Other changes	(125)	(1,342)	(1,273)
Total increase (decrease)	(125)	(1,342)	(1,273)
Balance at the end of the year	¥ 10,448	¥ 10,573	\$ 106,364
<b>Total</b>			
Balance at the beginning of the year	¥ 39,493	¥ 69,491	\$ 402,051
Changes during the year:			
Other changes	(20,268)	(29,998)	(206,333)
Net change in the year	(20,268)	(29,998)	(206,333)
Balance at the end of the year	¥ 19,225	¥ 39,493	\$ 195,717
<b>Total net assets</b>			
Balance at the beginning of the year	¥233,174	¥260,254	\$2,373,755
Changes during the year:			
Cash dividends	(1,585)	(1,586)	(16,136)
Net income (loss)	(16,604)	3,300	(169,035)
Purchase of treasury stock	(174)	(174)	(1,779)
Sales of treasury stock	37	35	376
Reversal of land revaluation surplus	125	1,342	1,273
Other changes	(20,268)	(29,998)	(206,333)
Net change in the year	(38,470)	(27,080)	(391,635)
Balance at the end of the year	¥194,703	¥233,174	\$1,982,120

# Capital Ratios (BIS Standard; Consolidated Basis)

March 31, 2009

In March 2007, together with other top-rank Japanese regional banks, the Bank was authorized to employ the Foundation IRB approach for the calculation of its credit risk under the Basel II regulatory capital framework, with the aim of realizing higher-level risk management.

At the end of the term ended March 2009 the Bank's capital ratio stood at 10.34% on consolidated basis and at 10.26% on non-consolidated basis. Tier I capital ratio stood at 8.73% on consolidated basis and at 8.64% on non-consolidated basis.

## Capital Ratio (consolidated basis)

	Millions of yen	Thousands of U.S. dollars
	2009	2009
(a) Capital ratio	<b>10.34%</b>	
Tier I capital ratio	<b>8.73%</b>	
(b) Tier I capital	<b>¥ 191,632</b>	<b>\$ 1,950,855</b>
50% of the excess amount of expected future loss over qualified reserve	<b>6,869</b>	<b>69,935</b>
(c) Tier II capital	<b>43,905</b>	<b>446,969</b>
45% of the difference between balance sheet values and book values of securities available for sale	<b>5,769</b>	<b>58,733</b>
45% of the surplus from land revaluation	<b>9,695</b>	<b>98,700</b>
Reserve for possible loan losses, excluding specific reserve	<b>441</b>	<b>4,490</b>
Subordinated debt	<b>28,000</b>	<b>285,045</b>
(d) Deductions	<b>8,776</b>	<b>89,350</b>
Shareholding by other financial institutions to ensure fund procurement capability	<b>1,000</b>	<b>10,180</b>
Investments outside the scope of consolidation	<b>752</b>	<b>7,663</b>
50% of the excess amount of expected losses over qualified reserves	<b>6,869</b>	<b>69,935</b>
Expected future loss on exposure (primarily of equity shares) under PD/LGD approach	<b>37</b>	<b>379</b>
On-balance sheet exposure to securitization and credit-enhancing IO strips	<b>117</b>	<b>1,192</b>
(e) Total regulatory capital (b + c - d)	<b>226,761</b>	<b>2,308,474</b>
(f) Risk-weighted assets	<b>2,192,941</b>	<b>22,324,558</b>

Note: Amounts less than ¥1 million are discarded and percentage figures are calculated to the second decimal place.

For reference:	2009	2008	Comparison
(on consolidated basis)			
Capital ratio	<b>10.34%</b>	11.16%	<b>(0.82)%</b>
Tier I capital ratio	<b>8.73%</b>	9.91%	<b>(1.18)%</b>
(on non-consolidated)			
Capital ratio	<b>10.26%</b>	11.14%	<b>(0.88)%</b>
Tier I capital ratio	<b>8.64%</b>	9.84%	<b>(1.20)%</b>

# Stock Information

As of March 31, 2009

## Major Shareholders

	Number of Shares Held (Thousand)	As a Percentage of Total Number of Issued Shares (%)
Japan Trustee Services Bank, Ltd.	14,242	5.36
Northern Trust Company (AVFC) Sub-account American Client	12,843	4.83
Nipponkoa Insurance Co., Ltd.	11,651	4.38
Nippon Life Insurance Company	9,475	3.56
Mizuho Corporate Bank, Ltd.	8,895	3.35
Shiga Bank Employees' Shareholding Association	6,219	2.34
Meiji Yasuda Life Insurance Company	6,199	2.33
The Dai-ichi Mutual Life Insurance Company	5,626	2.11
The Chuo Mitsui Trust & Banking Co., Ltd.	5,521	2.07
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,461	2.05
<b>Total</b>	<b>86,135</b>	<b>32.44</b>

## Number of Shares Held by Type of Shareholder (Thousand Shares)

Government (incl. Local Governments)

63 (0.02%)

Individuals and Others

70,257 (26.81%)

Non-Residents

29,957 (11.43%)

Financial Institutions

97,580 (37.22%)

Broker Dealers  
(Securities Houses)

1,340 (0.51%)

Other Corporations

62,949 (24.01%)

**Total Voting Rights: 262,164**

Note: Figures in parentheses represent voting rights as a percentage of the total voting rights held by each shareholder segment.

## Monthly Share Price Movements



# SHIGA BANK

<http://www.shigagin.com>

